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NICHE AND OFF-ISLAND STRATEGIES FOR ISLAND BUSINESS:

CASE STUDIES FROM PRINCE EDWARD ISLAND

By

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Abstract

This thesis explores niche strategies and off-island, targeted locally owned, small scale manufacturing companies, and examines the particular opportunities and challenges of doing business on Prince Edward Island (P.E.I.) by case studies of two island companies: Fellow Earthlings and Island Abbey Foods Ltd. The entrepreneurs of these two companies have maximized the opportunities and minimized the economic challenges of doing business on the island. The study discusses economic challenges, such as the small scale island market, diseconomies of scale, and transportation costs for off-island. Also discussed are the opportunities of doing business on Prince Edward Island, such as being adjacent to the large U.S. market, the reduction of tariffs and duties to the U.S.A., the existing local support organizations, the cohesive relationship among the islanders, and the high quality-of-life on P.E.I. The results show that Fellow Earthlings' entrepreneurs found their niche market first hand in foreign countries and worked towards this market, creating handmade and made-to-order sunglasses as niche products. Island Abbey Foods Ltd.'s entrepreneur conceived the idea for a niche product, making dehydrated honey, for which special technologies were necessary, and when the innovative products materialized, the company had both niche products and a unique technology. The case studies suggest that light-weight products or reducing the weight of products whilst manufacturing on the Island may be advantageous when crossing the Confederation Bridge and off islanding by air. Developing co-partnerships with other companies which have similar socio-economic demographic customer markets would also be a valid strategy to expand niche markets for Island entrepreneurs.

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1. Introduction

On an ordinary summer afternoon in Charlottetown, Prince Edward Island (P.E.I.), I was on my way back home for the day, having finished my classes, when I noticed two boys with a questionnaire in front of my apartment, interviewing a man with a dog. I could not resist asking the boys' mother, who was standing nearby, what the boys were doing. She replied that they were doing a school project on entrepreneurship and were interviewing people in order to research opinions on their new pet food and supplies business. I was immediately reminded of another boy who had grown up on this island. His name was John Rowe and he had grown up to establish Island Abbey Foods Ltd., which manufactures dehydrated honey candies and exports products internationally from P.E.I. John Rowe, and entrepreneurs like him, are the reason I came to P.E.I, in the first place, to study the opportunities and challenges facing small island businesses.

Canada's smallest province, Prince Edward Island, is located in the Gulf of St Lawrence and has a total land area of 5,656 square kilometres, measuring 280 kilometres from tip to tip (Government of Canada, 2005; P.E.I. Statistics Bureau, 2015a, p. 4; Prince Edward Island facts, 2016, para. 6). The total population of P.E.I. was 146,283 in 2014, with the number remaining steadily around 136,000 from 1996 to 2001. Since then, the population has been increasing from 2008 to 2011, reached 144,000 in 2011, mainly because of international migration (P.E.I.

Statistics Bureau, 2015a, p. 4; P.E.I. Statistics Bureau, 2015b, p. 1). Among the 146,000 population, those who were born and grew up on Prince Edward Island, affectionately call their island the 'Island': "The people of PEI still call themselves 'Islanders,' always with a capital I" (Royle, 1999, p. 253). In Chapter 3 and 4 of this thesis, I will discuss P.E.I. entrepreneurs who grew up on the 'Island,' and I may have to use the terms 'Island' and 'Islanders' in these chapters. However, this thesis also discusses other islands in the world in order to offer comparisons with P.E.I. and, for that reason, I will use the terms 'the island' and 'the islander' throughout this thesis to refer to all islands and islanders, and not exclusively to P.E.I.

The nominal GDP of P.E.I. is CAN\$6,003 million, the lowest figure among all Canadian provinces (P.E.I. Statistics Bureau, Department of Finance, Economics, Statistics and Federal Fiscal Relations, 2015c, p. 1). The latest *Province of Prince Edward Island Forty-First Annual Statistical Review 2014* indicates that manufacturing is one of the leading growth sectors on P.E.I. (up by CAD\$38.2 million) (P.E.I. Statistics Bureau, Department of Finance, 2015a, p. 7). Other statistics show 11,000 P.E.I. inhabitants were engaged in wholesale and retail trade, followed by health care and social assistance (9,900), manufacturing (6,000) and accommodation and food services (6,000) (Government of Canada, Statistics Canada, 2016a). The unemployment rate on P.E.I. in 2015 was 10.5%, higher than the Canadian average of 6.9%

(Government of Canada, Statistics Canada, 2016b). Statistics show that average weekly earnings were the lowest among all Canadian provinces and territories from 2011 to 2015 (Government of Canada, Statistics Canada, 2016c). The main export country for P.E.I. is the U.S.A. and records show that this trend has not changed since 2005. The top six international export products from P.E.I. were frozen food manufacturing, seafood product preparation, engine and turbine equipment, aerospace products and parts, vegetable and melon farming, and pharmaceutical and medical products (P.E.I. Statistics Bureau, Department of Finance, 2015a, p. 66).

Among the most famous agricultural and fishery products on P.E.I. are potatoes, lobsters, and mussels (Fisheries and Oceans Canada, 2008; Government of Canada, Agriculture and Agri-Food Canada, 2015; Llink Consulting Corp et al., 2013, p. 18). During summer, both tourists and islanders appreciate island branded cuisines, enjoying the smell and taste of local potato chips or of melted butter on potatoes, mussels, and lobsters in the island restaurants, with the bustle and voices of fellow visitors all around them. For dessert, they may try the island's famous ice creams, standing in long lines in front of Cows ice-cream shops, where the store assistants bake waffle cones for what Cows calls "the best ice cream in Canada" ("Cows Ice Cream," 2006, p. 1). The sweet smell of freshly-baked waffle cones fills the air and, if tourists

sit on one of the many benches, holding their ice cream, they can enjoy the crisp smell of the sea while they savour their treats.

In Charlottetown (population 34,560 in 2014), the capital of P.E.I., numerous cars may be seen during summer with number plates from Nova Scotia, New Brunswick, Ontario, Quebec, and other provinces across Canada, as well as from the U.S.A. Most of the tourists who come to P.E.I. are from other provinces in Canada (87.7%), with American visitors making up the next largest number (7.7%), followed by other international tourists from around the world (4.6%) (P.E.I. Department of Economic Development and Tourism, 2014, p. 4). These tourists may come via Confederation Bridge, the ferry¹, or cruise ships, with many also flying in through Charlottetown airport.

Alongside the many tourists' cars, local vehicles also park on the streets, with license plates declaring their home, the "Birthplace of Confederation," illustrating Province House National Historic Site of Canada, a historic landmark of P.E.I., where the famous Confederation Conference was held in 1864 (Moore, 1997, p. 50; Baldacchino & Spears, 2007, p. 47; Baldacchino, 2010a, p. 383). Throughout the tourist seasons, horse-drawn carriages carry guides and visitors clip-clopping around the downtown area of the city, further enhancing the

¹ There are two seasonal ferries on P.E.I. One is from Wood Islands, P.E.I. to Caribou, Nova Scotia and the other is from Souris, P.E.I. to the Magdalen Islands, Quebec.

historical image of Charlottetown. To promote this image, gentlemen in top hats and ladies wearing bustles and wide-spread skirts stroll in front of Province House in period costumes of the mid-19th century: some of these so-called “Confederation Players” enact scenes before the steps of Province House and all are an eye-catching symbol of Charlottetown’s past. The Confederation Players and horse-drawn carriages are elements of an open-air museum, an external personification of the island’s rich history. Indeed, P.E.I. is one of the “cultural-seeking tourist” destinations in Canada (Hennessey et al., 2014, p. 18, p. 24).

From Charlottetown to Cavendish, on the way to the popular tourists destinations on P.E.I., such as Green Gables Heritage Place and the Anne of Green Gables Museum (Devereux, 2001, p. 13), tourists behold red soil, lime green fields, dark green woods, lakes, and countless ponds, streams, and rivers. Up and down the roads are the characteristic “Rolling Hills,” and one of P.E.I.’s companies, Island Abbey Foods Ltd., uses this characteristic image of red soil, green fields, and blue skies as a motif for their company logo (“Welcome to Island Abbey Foods®!”, 2016, n.p.). This representative landscape of rolling hills can be seen all over the island. Being surrounded by these splendid landscapes can be one of the advantages of doing business on P.E.I.

Other excellent benefits and circumstances for establishing a business on P.E.I. may

include the affordable rents, the low crime rate, and the fresh clean air, all of which will be discussed later in Chapter 2. In a safe environment, inhabitants, tourists, and entrepreneurs are doubly blessed with the pure clean air of the island, evidenced by the clear burning red glow of the sky at sunset. Fellow Earthlings, a sunglass company based on P.E.I., is continually updating these pictures of the island landscapes via social media. From the many windows of Fellow Earthlings' new workshop, views of the island extend, with only a short walk to heartwarming scenes of sea, sand, and clear skies where nature's bounty heals the fatigues of any day.

After the leaves on the island trees turn red or yellow, and with autumn in its maturity, the tourist season ends. 1,332,200 tourists came to the island in 2014 (P.E.I. Department of Economic Development and Tourism, 2016, personal communication), most coming in the summer month—from Canada Day (July 1st) to Labour Day (first Monday in September)—a very short season (Armstrong, 2007, p. 214; Novaczek, 2015, p. 142). Because tourism, fishing, and agriculture industries on P.E.I. are seasonal (Carroll, 2000, p. 9), during the winter, lobster fishers can do little but fix their nets, traps, and vessels (P.E.I. Department of Agriculture, Fisheries and Aquaculture, 2016, p. 2) and potato farms are covered by snow, the island's economy has become less dependent on fisheries and agriculture in the last decade (Service

Canada, 2014, p. 13). Year-round new industries are necessary for the island. This is one of the reasons why case studies of two manufacturing companies on P.E.I., Fellow Earthlings and Island Abbey Foods Ltd., are discussed in this paper. Fellow Earthlings is a handmade made-to-order sunglass manufacturing company which targets niche markets and makes unique eyewear. Island Abbey Foods Ltd. is a manufacturing company which has developed a unique technology to dehydrate honey into solid cubes, and which is also included in the bioscience cluster on P.E.I. ("PEI Bioscience cluster our companies," 2016, para. 3). The government of P.E.I. identified four innovative sectors as important prospective industries: bioscience, information technology, aerospace, and renewable energy (Service Canada, 2014, p. 18).

Despite the auspicious atmosphere and surroundings for companies on P.E.I., one of the challenges of operating a business here is the small size of the island market. Whether girls or boys, such as those at the beginning of this introduction, try to find business chances on P.E.I., or students, who graduate from high schools and/or universities, as well as adults who are either islanders or immigrants, should choose the entrepreneurial path of establishing a company on the island, they will be faced with difficulties peculiar to many islands, such as how to deal with the small market size of an island.

The purpose of this study is to explore how small-size entrepreneurial companies, with

fewer than 100 employees, on P.E.I. cope with the opportunities and the particular economic challenges specific to the island. This thesis will focus on how the two island companies, Fellow Earthlings and Island Abbey Foods Ltd., utilize the opportunities and minimize the challenges that exist on the small island. The research presented in this thesis intends to identify the opportunities and economic challenges particular to P.E.I., and to propose suggestions by focusing on exports and niche strategies, as exemplified on P.E.I.

Research on the nature, openings and challenges of small island-based businesses, with special attention given to the island environment as enabler or inhibitor of economic opportunity, is still in its infancy. This thesis hopes to contribute to this research and address some of the gaps that exist in our understanding of how island-based businesses can develop suitable niche strategies—with respect to both product and market—and thus provide satisfaction to their discerning clients, fulfilment to their founders, added value to their investors, and decent livelihoods to their employees.

This thesis will proceed as follows. The next section, Chapter 2, details the research question, followed by a definition of entrepreneurs, challenges and opportunities of doing business on the island. Subsequent parts of Chapter 2 classify the specific challenges and opportunities on P.E.I. through a literature review of several islands. Chapter 2 also gives

reasons for choosing to undertake case studies on the two P.E.I. companies, Fellow Earthlings and Island Abbey Foods Ltd., followed by a discussion of the significance and originality of this study and the methodology. Based on definitions for Chapter 2, both Chapter 3 and Chapter 4 incorporate case studies of Fellow Earthlings and Island Abbey Foods Ltd., respectively. These two chapters explore how the entrepreneurs of Fellow Earthlings and Island Abbey Foods Ltd. found niche markets and niche products, how they curtailed the economic challenges of doing business on the island and how they exploited the opportunities. Chapter 5 then expands on a discussion of the findings from the case studies, leading to concluding remarks in Chapter 6.

2. Research Questions, Literature Review, and Methodology

The purpose of this chapter is to clarify the definition of the following key words in this thesis: entrepreneurs, challenges and opportunities for small island entrepreneurs, brand consolidation, off-island and exports, niche strategies. This clarification will occur in conjunction with and through the literature review. The chapter will then discuss the significance of this research and explain the distinctiveness of this study. The last parts of this chapter will discuss the methodology of the thesis.

2.1. Research Questions

The targeted companies in my case studies are “export oriented, locally owned, small scale manufacturing firms” (Baldacchino, 1999), which make products that are not strongly connected with or representative of a P.E.I. brand (they are not working brand consolidation companies). I will examine the particular opportunities and challenges of operating small businesses on P.E.I. by exploring the strategies the entrepreneurs of my target companies, Fellow Earthlings and Island Abbey Foods Ltd., have adopted to utilize the opportunities and minimize the economic challenges on the island. The key to this study is how these entrepreneurs

promote and sell their products off the island and how they have discovered effective niche strategies. When discussing niche strategies for conducting a successful business above all on P.E.I., this thesis focuses on (1) targeting niche markets, (2) creating niche products, (3) offering made-to-order service, and (4) having a special technology which no other company in the world has (named a ‘unique technology’ in this thesis). From my study and its findings, I also intend to propose certain requirements and suggestions for dealing with the specific challenges associated with small island businesses.

2.2. Definition of Entrepreneurs

I define an entrepreneur as an innovative person who has established a company and/or contributed to the performance of an existing business, a person who as Statt (2004) notes “risks his or her judgment in a search for profit from new business opportunities” (Statt, 2004, p. 46). In addition to risk-taking, important features of entrepreneurs include establishing companies and/or contributing to the performance of an existing business, as well as exhibiting a marked degree of innovation. Peter Drucker (1985) claims “Innovation is the specific tool of entrepreneurs” (Drucker, 1985, p. 19). One of the most widely used definitions of innovation comes from Joseph A. Schumpeter’s classic book, *The Theory of Economic Development: An*

Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle ([1912] 1961). He defines innovation (originally called new combination) as follows (Schumpeter, 1961, p. 66):

1. The introduction of a new product
2. The introduction of a new method of production
3. The opening of a new market
4. The development of a new source and supply of raw materials
5. The implementation of a new organization

The details will be discussed in later chapters, but each of the founders of Fellow Earthlings and Island Abbey Foods Ltd. created new products in the world and also opening a new market and that is the reason I call them entrepreneurs in this study.

2.3 Challenges and Opportunities of Small Islands

This section attempts to clarify the nature of these challenges and opportunities in a small island setting, through a literature scan of past and present studies and analyses. There are several academic articles and representative books about island entrepreneurs. The first part of this section analyzes the latter, beginning with a classic book on island entrepreneurs, *Island Entrepreneurs: Problems and Performances in the Pacific* (Fairbairn, 1988), which I discuss to clarify the peculiar challenges and opportunities on P.E.I. in comparison with Pacific Islands.

Following this discussion, *Real Stories of Small Business Success: Insights from Five European Island Regions* (Baldacchino & Bonnici, 2005) is examined in relation to the section dealing with exports. Then, a more recent book, *Entrepreneurship in Small Island States and Territories* (Baldacchino, 2015) is surveyed in relation to related niche strategies.

2.3.1. Challenges and Opportunities of Doing Business on the Island: Similarities and Dissimilarities between Pacific Islands and P.E.I.

Island Entrepreneurs: Problems and Performances in the Pacific, edited by Fairbairn, discusses “factors contributing to success or failure of indigenous business ventures” (Fairbairn, 1988, p. 11). This book conducts a full scale field research of small-scale indigenous businesses on Pacific islands, including Fiji, the Cook Islands, Samoa, the Marshall Islands, the Kingdom of Tonga, and Papua New Guinea. Later in this section, I discuss the considerable differences between Pacific Islands and P.E.I., which include the differences between developing countries and developed countries, remote islands and peripheral islands (McFerran & Royle, 2007, p. 187; MacDonald, 2000, p. 132), as well as the time frames of before 1988 and the present. Despite these disparities, Baldacchino points out that “the investigation of extreme and opposite case scenarios can facilitate a bettering understanding of specific trends” (Baldacchino, 2006d, p. 93); in addition, the research in this book is valuable because *Island Entrepreneurs* is the starting point

for studying about island entrepreneurs and the purpose of this section is to extract factors contributing to the challenges and opportunities inherent in island business by comparing “extreme and opposite case scenarios,” such as that between P.E.I. and the Pacific islands.

In considering this research, dissimilarities between P.E.I. and the Pacific islands are the following. Firstly, *Island Entrepreneurs* focuses on developing countries and this is different from P.E.I., which is a province in a developed country, and a sub-national island jurisdiction (SNIJ) (Baldacchino, 2006a, p. 867; Baldacchino & Milne, 2006, p. 490, p. 492; Randall, 2015, p. 114). Secondly, the geographical remoteness from large markets differs: most of the Pacific islands are located away from large markets, whereas, P.E.I. is close to the large U.S. market, and connected to other provinces by a bridge (discuss below). Thirdly, certain peculiarities specific to the Pacific islands are mentioned in this book, which includes “the traditional lineage group of clan in Fijian Society” (Hailey, 1988, p. 45), the land system and traditional chief status in Samoa, the Marshall Islands, and Tonga (Croulet, 1988, pp. 79-80; Carroll, 1988, pp. 114-117; Ritterbush, 1988, p. 142), and the Pacific island hierarchy status based on birth and traditional land system (Ritterbush, 1988, p. 156), and none of these conditions exists on P.E.I. Fourthly, the book’s field research, which includes widely conducted intensive interviews with the various above mentioned island entrepreneurs and government officers, was started in 1984, before the impact

and extensive influence of the internet. The influence of the internet on business will be discussed in Chapters 3 to 5 of this thesis. Although, research on the Pacific islands reveals a lack in research and development activities (Fairbairn, 1988, p. 9) and a lack in business advisory assistance (Croulet, 1988, p. 81; Carroll, 1988, p. 128), these conditions are present on P.E.I. and they will be discussed later in this chapter.

Despite the dissimilarities, significant similarities also exist between P.E.I., the Pacific islands, and other small islands. These include the small domestic markets (Fairbairn, 1988, p. 8; Carroll, 1988, p. 122, p. 133; Ritterbush, 1988, p. 148) and the small size of such domestic markets cause limitations in domestic competition (Armstrong & Read, 1998, p. 567), the particular difficulty of bulk purchasing for small business owners (Hailey, 1988, p.47), and limited natural resources (Carroll, 1988, p. 133; Ritterbush, 1988, p. 148; McFerran & Royle, 2007, p. 187). Other similarities between entrepreneurs are the number of “small in size and family based” businesses (Fairbairn, 1988, p. 4), successful entrepreneurs being involved in more than one business or economic activity (Fairbairn, 1988, p. 62, p. 74; Croulet, 1988, p. 80), and that many successful entrepreneurs had overseas experience, having worked overseas, having studied abroad, or having world travel experiences (Fairbairn, 1988, p. 64; Croulet, 1988, p. 86; Ritterbush, 1988, p. 154). Transportation issues include limitations in regular overseas shipping

and flight, and high freight rates (Fairbairn, 1988, p. 67, p. 74, p. 272; Haddow, 2015) and the inadequate infrastructure (Carroll, 1988, p. 122). With regards to transportation issues on small islands, scholars point out island transportation problems as including the unsatisfactory, infrequent and unreliable shipping and transportation services (Sejersen, 2007, p. 201) and how high transportation costs cause high price of products (Khamis, 2010, p. 438). From the research on commodity price differences between the Isle of Man and the United Kingdom, Armstrong et al. (1993) point out how island transportation need extra costs for packing, insurance, and damage in transit between the island and the mainland (p. 315) and these matters led to a higher price on the island; they claim island transportation issues as higher stockholding costs, failure to exploit economies of scale, and restricted competition (p. 317). Particular transportation issues on P.E.I. will be addressed later in this section (2.3.3.).

The following section will discuss how entrepreneurs on P.E.I. deal with the challenges of a small domestic market and the lack of economies of scale, as well as defining the nature of these challenges.

2.3.2. Economic Vulnerabilities or Economic Challenges

In this thesis, I use economic ‘challenge’ not ‘economic vulnerability’ because some

island entrepreneurs independently overcome drawbacks when they manage businesses on an island and are able to avoid difficulties or minimize them through their efforts. I will discuss the details later in this section and when discussing the case studies.

Literature suggests several academic terms of difficulty of doing business on islands. Streeten (1993, p. 197) addresses the difficulties of doing business on islands as what he calls ‘drawbacks’ or ‘disadvantages.’ Briguglio defines these difficulties as ‘economic vulnerabilities’ and this term appears in his 1995 article, “Small Island Developing States and Their Economic Vulnerabilities,” and is currently widely in use with island scholars. Briguglio details small island developing states’ special disadvantages as economic vulnerabilities based upon (1) small size, (2) insularity and remoteness, (3) proneness to natural disasters, (4) environmental factors, and (5) other factors, such as, high degree of dependence on remittances and donor countries, brain drain, and social upheaval (Briguglio, 1995, pp. 1616-1618). Like *Island Entrepreneurs* (Fairbairn, 1988), Briguglio also targets his study on small island ‘developing’ states. Because of a small island’s disadvantage in size, Briguglio claims that small islands have limited natural resources, difficulties exploiting the advantage of economies of scale, and, because smallness in size does not support a large number of firms producing a similar

product, industries are occupied by oligopolistic² or monopolistic companies, institutions, or organizations (Briguglio, 1995, pp. 1616-1617).

Briguglio's small island developing state's second disadvantage is insularity and remoteness. Remoteness is not distance from other land masses (e.g., P.E.I. to New Brunswick) but the accessible and practical distance from large markets (e.g., P.E.I. to New York) (Briguglio, 1995, p. 1620) and the kilometre distance from marginal districts to the major export hubs/markets (Gries et al., 2009, p. 521). P.E.I., however, is not remote from but rather adjacent to large markets, which is an advantage for the island (see next section, 2.3.3). Despite this characteristic, Briguglio points to the effects of an island's insularity and remoteness, namely, uncertainties of supply, such as "time delays and unreliability in transport service" (Briguglio, 1995, p. 1617) also applies to the winter season on P.E.I. Different from Briguglio's targeted research on islands, where the transportation is mainly by air or sea, P.E.I. is connected to the mainland by a bridge; despite this, however, Confederation Bridge can be closed due to strong winds, heavy snow, or storms which cause delays or stops in delivery and transportation. Therefore, time delays and seasonable unreliability in transport service do also apply to P.E.I. at

² An oligopolistic market is defined as a market or industry dominated by a small number of manufactures and retail stores.

some points in the year.

Briguglio's third and fourth factors characterizing economic vulnerabilities are proneness to natural disasters and environmental factors, are explained by the fact that small island developing states are more vulnerable than larger states to natural disasters, such as hurricanes, typhoons, earthquakes, landslides, erosions (e.g., Day, 2010; Farbotko, 2010a, 2010b; Gillian, 1997; Mimura & Pelesikoti, 1997; Richardson, 1983, p. 8, p. 173; Singh et al., 2001; Srinivasan, 1986, p. 212). Unlike on tropical islands, typhoons do not happen on P.E.I., although, P.E.I. is vulnerable to such natural disasters as hurricanes, erosion along the coastline, storms, and flooding ("Environment: Shoreline erosion and flooding," 2015, para. 2).

The purpose of Briguglio's study was to create a comparative standard of vulnerability among small island developing states (SIDS) and the result is a vulnerability index via which he tried to measure the degree to which each small island developing state is vulnerable to risks and economic shocks (Briguglio & Kisanga, 2004).

The reason I do not use the term 'economic vulnerability' in this thesis is that vulnerability suggests "defencelessness, insecurity and exposure to risk, shocks and stress" (Chambers, 2006, p. 33; Whelan et al., 2006, p. 93). I concede that most countries and small islands are vulnerable to natural disasters as well as to external economic changes, such as

fluctuations of currency (Armstrong & Read, 2002a, p. 80). However, I use the term challenges, not economic vulnerabilities, because island entrepreneurs make independent, not defensive, decisions and actions. Island entrepreneurs can overcome, minimize, and/or avoid specific difficulties through their own efforts. They are neither passive nor defenseless, but are active businesspersons. For these reasons, in this thesis, I will refer to the disadvantages that they face as drawbacks and the economic vulnerabilities of small islands as ‘challenges’ (Baldacchino & Pleijel, 2010, p. 89) and will provide concrete instances through the examination of specific P.E.I. case studies.

Despite these challenges, small islands also have opportunities. Baldacchino points out that “vulnerabilities are not necessarily handicaps but they can equally well imply a proneness to spectacular growth” (Baldacchino, 2000, p. 67). Easterly and Kraay claim that “small states have the same range of per capita incomes as the rest of the countries in the world,” and they conclude, “small states are” even “richer and have higher productivity levels than large states” (Easterly & Kraay, 2000, pp. 2014-2015). Armstrong et al. emphasize that small size is not a systematic disadvantage to economic performance (Armstrong et al., 1998, p. 644; Armstrong & Read, 2006, p. 83). While Fairbairn attempts to address opportunities in *Island Entrepreneurs* by researching several successful companies in the Pacific islands, he does not provide clearly

indicators of opportunities on small islands, only describing general characteristics of successful entrepreneurs, such as those who are highly motivated, well educated, with family financial support, close connected community, and having overseas experiences (Fairbairn, 1988, pp. 4-5, p. 276). This thesis intends to clarify the opportunities that exist on P.E.I. and both these opportunities and the challenges are discussed in successive sections and through case studies and discussions (Chapter 3 to 6).

2.3.3. Challenges and Opportunities on P.E.I.

Before this discussion, it is necessary to establish a working definition of islandness and smallness. Baldacchino defines an island as a “biophysical body of land surrounded by water that makes it naturally and visually distinct from any other land spaces” (Baldacchino, 2012, p. 57). Small does not refer to an island’s land area: the primary measure of an island’s size in this study is its population, and a secondary measure is GNP (Srinivasan, 1986, p. 206). The reason for using the population of a small island is that population is an “insightful proxy for [the] size” of a “domestic and...local labour force” (Armstrong & Read, 2003, p. 100). The total size of a population which may be defined as small is one million (The United Nations, 2000), or up to 1.5 million (Commonwealth Secretariat, 1998, p. 2). Taking these conditions and figures into

consideration, I will define a small island as having less than one million population because “[t]he most common benchmark is a resident population of not more than one million” (Baldacchino, 1998, p. 276; Baldacchino, 2015a, p. 1) and P.E.I. falls into this small island category.

P.E.I. faces several challenges in doing business on the island which are common to small islands in general. In this thesis I focus on the small market size and the diseconomies of scale, which are among the most notable common factors challenging small islands, whether or not they are developing or developed jurisdictions. I will now elaborate in more detail on the challenges common to small islands, which also apply to P.E.I.:

Challenges of Doing Business on P.E.I.

1. Small-Scale and Limited Markets

Small domestic market size is the most common economic challenge for small islands (Armstrong & Read, 2000, p. 287; Camara, 2006, p. 395). Because the definition of what constitutes small islands is based on population, it seems logical that the market size of small islands is small-scale and “limited” (Baldacchino & Fairbairn, 2006, p. 331), and this is applied to P.E.I. (Randall, 2015, p. 121).

The limitation of small islands markets is an issue because small market size does not allow for many companies in the same industries on P.E.I. I offer two personal observations, having lived on P.E.I. for almost three years in an apartment where half the inhabitants are immigrants. When I came to P.E.I. in 2013, I was surprised to see several empty and derelict Chinese restaurants on the street. Chinese immigrants came to P.E.I. with dreams of new opportunities, and most of the new immigrant tenants in my apartment were very excited when they arrived on P.E.I. Some of them opened shops or restaurants; however, the small population on P.E.I. was unable to support too many ethnic restaurants. Their lack of success was mainly due to the modest population on the island, but it is also necessary to add that the prices on the menus of Chinese restaurants on P.E.I. are high compared to those in China; therefore, Chinese immigrants choose not to go to restaurants frequently, and, instead, cooked for themselves. Furthermore, the Canadian population, in general, does not tend to favour frequenting Chinese restaurants, and, with the market size on the island being small, if several Chinese restaurants exist, this will cause an excess of supply over demand, and through a process of survival of the fittest, some Chinese restaurants close down and others survive. Several Chinese immigrants have chosen other ways of survival: exemplified by a new organic natural foods, a Chinaware shop, and a Chinese's children book-reading space opened at the corner of University Avenue and

Connolly Street in 2016.

Another example of small markets on P.E.I. is in the number of Asian grocery stores. According to an observation by a B&B owner in Charlottetown, there were two Asian grocery stores in Charlottetown until 2011 (Apple, 2011). Then, several successors entered this business in the city and, from a personal count, there were five Asian grocery stores by 2016³. When the newest large Asian grocery store opened in 2015 just in front of Holland College, most of the customers were the same people who shopped at the other four Asian stores, all Asian stores tried commodity differentiation; however, most sell the same items, coming from Toronto. Despite the number of Chinese immigrants having increased, there is a risk that the number of grocery stores (supply) may eclipse the number of customers (demand) on the small island. In addition, it is necessary to add that when one pioneer achieves success in an area of business, then others follow to enter into the same category of business (Beamish, 1991, p. 3). This can cause over competition within a small-scale island market.

2. Diseconomies of Scale

³ These are five Chinese grocery stores in Charlottetown in 2016. These are Chinese Grocery Store, Global Supermarket, Asian Food Store in Charlottetown, Philippines & South Asian Food & Grocery Inc., and Top Fresh Asian Food Market.

Economies of scale is defined as “economic efficiencies that result from carrying out a process (such as production or sales) on a larger and larger scale” (Maurer, 1995, p. 478) and/or “the advantages resulting from a large, as opposed to a small, scale of operation in an organization. They include lower unit costs, greater purchasing power by buying in bulk, opportunities for training and so on” (Statt, 2004, p. 44). In sum, economies of scale is a condition by which mass purchasing of raw materials, mass production, and mass marketing (volume sales), and price of products tend to be more profitable than small scale production and sales.

On small islands, this mass selling in the domestic market is not easy due to small population size. For example, the population of P.E.I. was about 140,000 in 2014 (P.E.I. Statistic Bureau, 2013, p. 25; P.E.I. Statistics Bureau, 2015a, p. 4), which means that, even if a company on P.E.I. manufactures 140,000 products per day, the company may not sell enough goods on the island to warrant the cost of making these products. To make commodities, business owners must pay fixed costs (e.g., rent, wages, and electricity that they pay regardless of sales volume) as well as variable costs which are influenced by the sales volume (e.g., the cost of materials) (Polèse & Shearmur, 2002, p. 25). If the demand for the number of products is not sufficient, the revenue and profit will be insufficient to meet the fixed and variable costs.

Mass production effectively compensates for fixed and variable costs, but if the volume of production is less, the manufacturers must still pay these costs and this means less profit per item sold than in mass production, meaning that economies of scale are not effective. As Armstrong and Read state, in small market economies, the “domestic demand is insufficient to reach the minimum scale necessary for efficient output” and this “means that the unit cost of the local production of many goods and services is higher than in larger states” (Armstrong & Read, 2003, p. 103). In other words, the “high per-unit costs of production” (Briguglio, 1998, p. 508) on islands is caused by diseconomies of scale when compared to mass-produced goods.

These small market situations are characteristic of ineffective economies of scale, an “absence of economies of scale” (Baldacchino, 2002, p. 254), and/or “the relative inability to reap economies of scale” (Baldacchino, 2010b, p. 62), also referred to as a “diseconomies of scale” (Fischer & Encontre, 1998, p. 72) or where “few economies of scale are possible” (Royle, 1999, p. 242). Although many scholars refer to ineffective economies of scale in different terms, I will use the term “diseconomies of scale.”

In sum, diseconomies of scale indicate less buying power for raw materials, difficulties of mass production and mass marketing, and a tendency for high price commodities. To solve diseconomies of scale, a solution could be to avoid the option of selling cheap mass production

products, and to focus on small volume production with unique features that compensate for the relatively high price. These niche product and market suggestions will be discussed further in a later part of this Chapter.

3. Industries and Organizations are Monopolies or Oligopolies

Briguglio points out that, because small size economies do not support a large number of firms producing a similar product, many industries or organizations on small developing islands have a tendency toward monopolies or oligopolies (Briguglio, 1995, p. 1617). Regardless of whether the economy is that of a developing country's island jurisdiction or that of a developed country monopolies and/or oligopolies in an industry cause less competition.

On P.E.I., several industries are monopolistic or oligopolistic. Examples of monopolistic industries on P.E.I. are the city bus service (T3 Transit), the electricity company (Maritime Electric), the bridge (Confederation Bridge), and the liquor stores (P.E.I. Liquor Control Commission), for which no competition currently exists. Internet services (Bell Aliant, Eastlink, and Rogers), supermarkets, drug stores, distilleries, and wineries are examples of oligopolies on P.E.I., industries which are occupied by only a few companies.

The important point is that the transportation infrastructure, such as the bridge, and the internet infrastructure, such as internet access, are monopolistic or oligopolistic industries on P.E.I., and this results in no or limited competition, with prices and service initiatives being controlled exclusively by these companies.

4. Transportation Cost

Armstrong and Read claim that monopolistic conditions cause lack of competition in off island transportation (Armstrong et al., 1993, p. 316), and where transportation on islands and landlocked microstates is monopolistic, this results in high transport costs, compromised transport reliability, diseconomies in loadings, routings, and return shipments to the island (Armstrong & Read, 2000, p. 288).

Island transportation is sometimes called a “triple problem,” in terms of choice, time, and price (Baldacchino, 2006a, p. 857; Baldacchino, 2006b, p. 53; Baldacchino & Pleijel, 2010, p. 106). In P.E.I. the only type of land public transportation is the bus (although there are several shuttle and taxi services companies) and Charlottetown’s circular bus has been monopolized by only one bus company (choice), by less frequency (time), and by relatively costly tickets (price).

Small but steady improvements in Charlottetown’s bus service are occurring; for example,

the changes to bus route number one, which runs from downtown to Charlottetown Mall (this route runs through the high street in the town). In September 2015, ‘Great News !!! [sic]’ was announced which was posted inside buses and bus stops. The announcement declared that instead of having no bus service at all on Sunday, a Sunday bus would run twice per hour from 11:00 to 17:00; in addition, from Monday to Saturday, additional buses would run from 19:00 to 22:30, which means that the frequency of one bus improved twice during this time. This was a great improvement and exciting news for Charlottetown, even if the frequency does not compare to bus frequency in other world cities.

Baldacchino et al. conducted research on P.E.I. immigrants, who came from other Canadian provinces and from foreign countries. In their study, 27 responders out of 320 immigrant interviewees state the “absence, inconvenience or high relative costs of transport, particularly for crossing the Confederation Bridge and using air transport in/from Charlottetown airport” as problems (Baldacchino et al., 2006, p. 49).

One of the characteristics and advantages of P.E.I. transportation is that the island is connected to the mainland by a bridge, the 13 km long Confederation Bridge, which opened to traffic in 1997, and is “the longest bridge in the world over a sea affected by ice,” connecting P.E.I. and New Brunswick in only 10 to 15 minutes by vehicle over the Northumberland Strait

(Royle, 1999, p. 251; “West Royalty Park: Access,” 2014, para. 7). Despite controversial arguments between supporters and those opposed to constructing a bridge (MacDonald, 2007, pp. 34-44; Royle, 2007, pp. 45-47), a fixed link was built. After the completion of Confederation Bridge, P.E.I. potato chips and fries, P.E.I. seafood (lobster, mussels, crab, and fish), and aerospace-related products have been crossing the bridge, resulting in a surging of exports, and the trucking business has thrived (Baldacchino & Spears, 2007, pp. 53-54).

Nevertheless, the Confederation Bridge has two drawbacks: the closing of the bridge during storms, especially during winter, and the high toll fees for outgoing traffic from P.E.I. When vehicles enter P.E.I., the toll is free, but for vehicles exiting P.E.I. via Confederation Bridge, the cost depends on the number of axles. For 2 axled vehicles, the charge is CAN\$45.50, and for each additional axle is a further CAN\$7.50 (“Toll & Fees,” 2016, para. 3). Indeed, P.E.I. is the only Canadian province that people have to pay to leave (Baldacchino et al., 2006, p. 58) and a toll fee on Confederation Bridge is a burden for manufacturing firms on P.E.I. which transport their products across the bridge by truck. How two P.E.I. firms overcame this problem will be illustrated in Chapter 3 and 4.

Opportunities of Doing Business on P.E.I.

Opportunities on P.E.I. include being adjacent to a large market and advantage of existing support institutions, the comparative closeness among islanders which makes it relatively easy to get information, and high quality-of-life characterized by tranquil and beautiful surroundings and by low crime rates.

1. Being Adjacent to Large Markets

Remoteness is one of the typical disadvantages for many small islands; nevertheless, this might be not relevant to P.E.I., and its peripheral location (MacDonald, 2000, p. 132) is an opportunity for the island compared to remote islands, such as the Pacific islands.

An advantage of P.E.I. is its relative closeness to large markets in the U.S.A. and Europe. The following are some examples of distances from P.E.I. to various large markets: Toronto (1,736km), Boston (1,026km), New York (1,354km), London (4,511km), and Paris (4,799km) (“The PEI advantage,” 2016, para. 3). It is noteworthy that distance from P.E.I. to east-coast American markets, New York and Boston, is shorter than the distance to Toronto. In addition, time differences are not an enormous issue for P.E.I., being only one hour ahead of the eastern area of the U.S.A. (Eastern Daylight Time), and four hours behind London time.

2. Reducing Tariffs and Duties to the U.S.A.

In addition, although not peculiar to the island advantage, but an opportunity in the Canadian economy in general, is the North American Free Trade Agreement (NAFTA). This agreement reduces tariffs and duties for exporting and importing products from and to the U.S.A. as well as Mexico and is an advantage for P.E.I. exporting and importing. Indeed, one of P.E.I.'s companies claims that "NAFTA's tariff removal is another positive factor" (Lynch, 1996, p. 143). Besides, the Canada-European Union: Comprehensive Economic and Trade Agreement (CETA: This agreement concluded a treaty in 2014, and will put a treaty into effect in 2016) will be a notable advantage for agriculture, fisheries, and manufacturing firms on P.E.I. The EU countries are the "second-largest trading partner and export destination" for P.E.I. and CETA will greatly contribute to P.E.I. exports because of "reducing and eliminating tariff barriers" ("Canada-European Union," 2014, para. 11).

3. Existing Support Institutions

The existence of several support institutions on P.E.I., such as BIO|FOOD|TECH, BioAlliance, Charlottetown Research and Development Centre are advantages for the food,

beverage, and fishery industries, as well as for bioscience.

Among these institutions, BIO|FOOD|TECH has contributed to one entrepreneur's business idea by developing a means of materializing products and this concrete example will be illustrated in Chapter 4, Island Abbey Foods Ltd. The specific details and content of the support that BIO|FOOD|TECH provides to each entrepreneur is confidential ("About BIO|FOOD|TECH," 2016, para. 1); however, BIO|FOOD|TECH's homepage reveals the following facts. BIO|FOOD|TECH, former name was Food Technology Centre (Mackinnon, 1998, p. 188), has been assisting people who want to materialize their ideas by providing BIO|FOOD|TECH staff and by allowing the use of their institute facilities, and by offering support when people want to move from small scale to large scale food production. One example which illustrates well the role of BIO|FOOD|TECH is the development of the process for making the tomato-based sauce of Aldanel Authentic Products Inc. A CEO of this company wanted to make several tomato sauces which were inspired by her grandmother's recipe ("Aldanel Authentic Tomato-Based Sauces," 2013, para. 1). BIO|FOOD|TECH supported the realization of her idea and made it possible for large scale production, and now customers can buy her glass bottled sauces in supermarkets on P.E.I.

BIO|FOOD|TECH also occasionally assists in finding financial solutions for companies.

For example, with Deep Roots Distillery, one of the apple orchard owners and also a Holland College computer and English teacher was thinking of starting a distillery after he retired from teaching. Interested in increasing the profitability of the orchard, he wanted to attend a workshop on making alcohol in Washington State (“Deep Roots Distillery Product Launch,” 2014, para. 3; “Our Roots,” 2015, para. 1-3). However the west coast of the U.S.A. was too far away for him and he mentioned this when he chanced on “a casual discussion” with an executive director of BIO|FOOD|TECH (“Our Roots,” 2015, para. 3). BIO|FOOD|TECH then coordinated with the Artisan Craft Distilling Institute, which is based in Washington State, about fermentation and distillery seminars and practices so that the Deep Roots Distillery owner could participate in the workshop not in the U.S.A. but on P.E.I. Noteworthy is that BIO|FOOD|TECH called for other participants who wanted to start or were already engaged in the distillery business, for other entrepreneurs, fruit growers and processors, and farmers to participate in this workshop, which was also announced in the local newspaper (“Artisan Distillation Workshop for Craft Spirits,” 2015, p. 1; “BioFoodTech to offer distillation, fermentation workshops,” 2014, p. C3; “Workshop set for Jan. 29-31 on fermentation and distillation,” 2014, p. A5). The workshop for distillation which was started in 2013 (“BIO|FOOD|TECH to offer distillation, fermentation workshops,” 2014, para. 8) continued in

2014 and 2015. This explains why existing wineries and new distillery companies have recently expanded their variety of fruit liquors as well as several kinds of new alcoholic drinks that are displayed on the shelves of P.E.I. liquor shops lately.

BIO|FOOD|TECH provides a great opportunity for island consumers and tourists, expanding the variety of local commodities, and assisting entrepreneurs who have a chance to materialize ideas into products with the support of the institution's facilities and staff. The institution has assisted in creating bottles of berry juice, dairy products, fermenting techniques, and seafood products in glass bottles. With recycling in mind, using glass is an eco-friendly and reasonable choice. However, related to transportation costs from the island, for manufacturers who bottled heavy products and intend to export or off-island their products, glass bottles are fragile and heavy and cause a burden in shipping costs; a lighter commodity would be more advantageous for off island transporting, when considering these shipping costs.

One of the P.E.I. distillery companies has devised a solution to reduce the weight of glass bottles. The Myriad View Artisan Distillery Inc. uses 750ml "eco-friendly ultra-lightweight glass bottles" ("Myriad View Distillery," 2016, para. 4) for their rum, whiskey, and Moonshine (see below) with the product names Strait Shine and Strait Lighting. Using light bottles reduces fuel and shipping costs (the bottles are imported from Europe) and minimizes the risk of injury to

people who handle the product while stocking shelves (Ken Mill, personal communication (e-mail correspondence), May 17, 2016).

BIO[FOOD|TECH has also contributed in assisting companies in lightening the weight of products. One example is in changing liquid honey into solid honey cubes for Island Abbey Foods Ltd. Another example is, without detracting from colour and nutrition, BIO[FOOD|TECH (at that time, the institution's name was the Food Technology Centre) dehydrated purple, red, and yellow potatoes into powder (Agriculture and Agri-Food Canada, 2011, p. 12; "Research on potato products," 2011, para. 3). Lightweight products may be one of the means for island business to offset high transportation costs and in successive parts of this section (2.4 Effective Solutions for Economic Challenges) the advantages of lightweight products will be discussed in more detail.

4. Cohesive Relationship among Islanders

Relationships among islanders are relatively close which means less cost in acquiring and sharing information necessary to promote business (Armstrong et al., 1998, p. 641; Armstrong & Read, 2002a, p. 75). Buker points out "the island's [P.E.I.] small size encourages the dominance of personal and personality-related relationships" (Buker, 2005, p. 112). Examples

of this issue apply in the case of Cavendish Figurines Ltd. and Cows (Ice Cream). When Jeannette Arsenault and Don Maxfield had the idea about making figurines of Anne of Green Gables, they did not know how to establish a company. However, they knew that the Minister of Industry grew up in their community, so Arsenault and Maxfield called him one night for advice and he introduced them to the appropriate official who helped them to establish Cavendish Figurines Ltd. (Lynch, 1996, pp. 159-160). The relationship that Cows' (Ice Cream) has with Amalgamated Dairies Limited (ADL), a dairy processing company on P.E.I., also indicates the cohesive relationship between local people and companies. ADL makes the mix for the ice cream for Cows and Cows' CEO states that "When you're from a smaller place, it's a little easier to get to talk to people and get your products in the door" (Rhyno, 2011, p. 92).

5. Quality-of-Life and Beautiful Landscapes

P.E.I. dwellers enjoy fresh clean air, being surrounded by the sea and a good quality-of-life. Opportunities and beneficial circumstances for establishing business on P.E.I. include affordable rents and the low crime rate. The average rent for a two-bedroom apartment on P.E.I. is not the cheapest out of all provinces in Canada; however, it is lower than the average rental fee in Canada ("Average rent for two-bedroom apartments, Canada Provinces and

metropolitan areas, 1992-2014 (dollars),” 2015). Data on the average retail price for household heating fuel in major urban centres shows that Charlottetown enjoys the second cheapest heating fuel of cities in Canada, next to St. John’s, Newfoundland and Labrador (P.E.I. Statistics Bureau, 2015a, p. 88). Compared to other provinces, P.E.I. is a safe place with statistical data from 2008 to 2013 showing that the number of homicides was only four during those six years (P.E.I. Statistics Bureau, 2015a, p. 93), with the number of robberies, breaking and enterings, theft of motor vehicles, and all violations being the lowest among all provinces in Canada (Government of Canada, Statistics Canada, 2015).

Baldacchino addresses that, based on 2005 research with the support of the Population Secretariat of the P.E.I. Provincial Government and the University of Prince Edward Island, P.E.I. immigrant respondents “appreciate best the attractive quality-of-life that living on P.E.I. provides as the main reason for moving to the island” (Baldacchino, 2006c, p. 108). McFerran & Royle claim that quality-of-life “factors such as cultural grounding, social infrastructure and a balanced environment are as important as an economic base and may indeed attract economic development projects” on P.E.I. (McFerran & Royle, 2007, p. 195). There are several definitions of quality-of-life (QOL); however, I defer to Andrews (2001) and his definition as “a feeling of well-being, fulfillment, or satisfaction on the part of residents of or visitors to that place” (p. 201).

Randall et al.'s research reveals that over 69 % of Canadian born inhabitants and 64% of immigrants claim an excellent/very good quality-of-life and nearly 80% of both Canadian born and immigrants expressed a satisfied sense of belonging to local community as being very strong/somewhat strong in Charlottetown (Randall et al., 2014, p. 351- 355).

Despite the opportunities on P.E.I. of being adjacent to the large markets of the U.S.A., the reduction of tariffs and duties by NAFTA, the cohesive relationship among islanders, and the good quality-of-life, challenges for entrepreneurs on this small island do exist. These challenges are a small-scale and limited market, diseconomies of scale, monopolistic or oligopolistic industries (especially transportation and internet access) and transportation costs from the island. How should P.E.I. entrepreneurs compensate for these challenges? The next section discusses what would be appropriate solutions for P.E.I.'s manufacturing entrepreneurs.

2.4 Effective Solutions for Economic Challenges

Countering economic challenges on small islands in general include buying local products, multi-functionality, a consideration of economies of scope, and a combination of export and niche strategies. Because my research targets manufacturing companies, which are different from primary industry and daily necessity commodities, buying local products would not effectively

compensate for the small domestic market with these manufacturers. Multi-functionality, which is commonly observed in many islands, is useful for businesspersons in avoiding risks, however, multi-functionality is not an effective solution for manufacturing companies on P.E.I. for reasons I will explain a little later in this chapter. Among the possible solutions, I believe that a combination of off-island/export and niche strategies—niche products, targeting niche markets, unique technology and/or made-to-order products—are the most practical solutions for the economic challenges on P.E.I. In addition, keeping commodities' lightweight or having the means to transport them oneself (e.g., manufacturing ships) would be highly advantageous for exporting from an island. To compensate for small market size, off-island or/and export is an adequate solution, and niche products are a valid resolution for diseconomies of scale, plus lightweight commodities would offer an advantage for minimizing transportation costs. This section elaborates on the reasons for these claims. I will first discuss local products and multi-functionality, before turning to exports and niche strategies.

2.4.1 Buying Local Products

Buying local products on small islands is exemplified in the agricultural and fisheries industries on P.E.I., also in the wineries and distilleries on the island, as well as being an

especially useful strategy for perishable goods and souvenirs, both for island dwellers and for tourists. In this section, I will first consider the buying of local products for and by the islanders and then discuss the buying of P.E.I. products by tourists.

Examples of buying local products for inhabitants on P.E.I. include vegetables, fruit, bread, meat, fish, eggs, daily products, and sweets or confectionaries. Perishable and fresh local foods are supplied to customers on P.E.I., and several products, such as P.E.I. potatoes, lobster, and mussels are also exported abroad (P.E.I. Department of Agriculture and Fisheries, 2016, p. 1).

Buying local is also relevant for the several wineries and distilleries. One example of a recent locally supported product is a legal “Moonshine” which is distilled by The Myriad View Artisan Distillery, production names for this Moonshine being “Strait Shine” and “Strait Lightning,” as well as a product named “Island Tide,” distilled by Deep Roots Distillery. Moonshine derives its name from being distilled illegitimately at night under the light of the moon (“Moonshine,” 2004, para 1) during the prohibition era on P.E.I., from 1900 to 1948, which was the longest prohibition period of any Canadian province (MacDonald, 2000, p. 61, pp. 235-237; MacNeil & Davies, 2010). Even after prohibition on the island ended, drinking Moonshine has continued, as an article from *The Globe and Mail* illustrates P.E.I. islanders’ spirit: “Whose wedding didn’t feature a moonshine wedding punch? We are Islanders and shine

is what we drink” (Knight, 2012, para. 4). This hidden and secret island Moonshine with its historical tradition has become resurgent today as a legal spirit and sells at liquor shops on the island.

Local wineries are also supported by inhabitants on the island. One of the newest winery owners on P.E.I., Mike Newman, whose biggest customers are local restaurants, is the young entrepreneur of Newman Estate Winery in Murray River (“Watch: Young P.E.I. entrepreneur opens winery,” 2011). He states that “P.E.I. is great for supporting local products. I’m grateful for the overwhelming support” (Stewart, 2014, p. B7; MacKay, 2014, p. B7). Some other winery owners, who came to Canada as immigrants from Pico Island in Portugal, also comment with appreciation on the many inquiries about their wine stock by the islanders who want to celebrate Christmas with local wine, voicing thanks for “the island people supporting us [Matos Winery and Distillery in St. Catherines on P.E.I.]...once the tourists are gone [in December]” (“About Us,” 2016, para. 1; Stewart, 2014, p. B7). A long-established winery on P.E.I., Rossignol Estate Winery, sells a variety of different wines, including fruit wines, since starting to sell their first grape table wine in 1994. Tourists who visit the vineyard take pleasure in such samples and offerings as Blueberry Wine, which sells exclusively in P.E.I.’s liquor stores (CANADA Explore | Explorez, 2009). Tourists amuse themselves with tasting wines.

However, most Rossignol wine customers are local people with 90 percent of their wine consumed on P.E.I. (“An Armful of award winning wines for Rossignol’s,” 2014, para. 11; Sharratt, 2005, p. A4).

These alcoholic beverages lure the tourists. Brochures for tourists, such as *PEI Flavours Culinary Trail* (PEI Flavours, 2015) and *Prince Edward Island 2016 Visitor’s Guide* (Tourism PEI, 2016) fascinate tourists with pictures of lobster, mussels, and potatoes with their beverage. In addition, a leaflet entitled *Experience Island Style: Spring & Summer Recipe Guide*, shows a map with locations for local breweries, distilleries, and wineries as well as introducing cuisine recipes and nutritionally appealing health facts, along with best fit local alcoholic beverages (PEI Liquor et al., 2016, n.p.). These potatoes and seafood cuisines are representative island brands on P.E.I. and it is also possible to utilize island traditions for products in several industries.

One of the island traditions on P.E.I. is preserved jams, which use local fruits and focus on the island tradition of making homemade preserved jam (MacIsaac, 2003, p. 32, p. 90, p. 105), by such companies as Prince Edward Island Preserve Company (Baldacchino, 2002; Beamish, 1991; Beamish & Lupton, 2008; Lynch, 1996) and J. J. Stewart Authentic Foods. A preserved jam is not a light product for travelling, but tourists buy specialty goods and souvenirs as a token of the place. As other island case studies show, tourists carry these products back to their country in

their luggage (Baldacchino, 1999, p. 35), and this is the case with P.E.I. preserved products. Prince Edward Island Preserve Company has a gift shop with a restaurant and a butterfly house in New Glasgow, and this gift shop is famous as a tourist destination, a “must stop” for coach tours, and making the “market come to” the shop (Baldacchino, 2002, pp. 256-257). When I came to P.E.I. for the first time as a tourist with my friend, an owner of a B&B recommended that we visit Prince Edward Island Preserve Company’s gift shop, where tourists enjoy taste trials, the aromas of jams with background music, inspiring the five senses of taste, smell, touch, sight, and hearing (Doug, 2001, p. 111). Word-of-mouth enhances the number of those visiting the gift shop and, with appeals to all five senses each visitor is tempted to buy souvenirs. This is a good example of leveraging tourist purchases in that “the actual transportation of such products also may be passed on to the clients themselves...including freight, insurance, and handling” (Baldacchino, 2002, pp. 256-257). Island artists’ pottery, arts and crafts are also included in this category. Tourists carry the commodities themselves; therefore, shipping costs are saved for companies as well as having risks of foreign currency fluctuations avoided because tourists pay with local currency (Baldacchino, 2010b, p. 65).

2.4.2 Brand Consolidation

Other examples of “free-riding on the tourism industry” (Baldacchino, 2010b, p. 64) on P.E.I. are souvenirs for tourists, such as Anne of Green Gables dolls which use “island red clay” (Lynch, 1996, p. 159), dirt shirts that are dyed by red soil, and look-alike potato shaped lavender scented soap sold in small burlap potato sacks (see Picture 1). These products strongly connect image and brand on P.E.I.—a robust example of brand consolidation.



Picture 1: Potato shaped lavender scented soap which is made by Island Lavender Co. Photo by the author.

Baldacchino claims that “brand consolidation,” which is defined as a product’s name being “synonymous with the place and all that goes with it” can be extremely effective (Baldacchino, 2010b, p. 66; Knudsen et al., 1997, pp. 189-193) in some industries. He exemplifies the connection between small islands and their brands by referring to Barbados and Jamaica rum, Fair Isle sweaters, Gozo cheese, Madeira port and so on (Baldacchino, 2010b, p.

66; Baldacchino, 2015a, pp. 12-13). Brand consolidation is also effective for several island companies such as LYSI which produces refined fish liver oil, and has a long history in Iceland (Aðalsteinsson & Steinþórsson, 2015; Baldacchino & Bonnici, 2005, p. 20). Saare Paat and Baltic Workboats Ltd., both based on Saaremaa on the island of Estonia, manufacture boats based on traditional boat building histories (Baldacchino & Bonnici, 2005, p. 27, pp. 50-52; Keskpai, 2006, pp. 415-416). The traditional pattern knitwear by Shetland Designer in the Shetland Isles (Baldacchino & Bonnici, 2005, pp. 31-34) and Fair Isle (Butler, 2015), both in Scotland, are other compelling examples. The strong connections of brand consolidation with island traditions work powerfully in exporting products and selling.

However, not all commodities manufactured on P.E.I. are souvenirs or brand consolidation commodities. While I admit the importance of brand consolidation and its effectiveness, my intention in this thesis is to try to find solutions which do not depend on brand consolidation for manufacturers on P.E.I. Case studies in *Real Stories of Small Business Success: Insights from Five European Island Regions* (Baldacchino & Bonnici, 2005) and *Entrepreneurship in Small Island States and Territories* (2015), edited by Baldacchino, reveal that many companies are not dependent on brand consolidation. These categories of companies are the focus of this study.

2.4.3 Multi-Functionality and Economies of Scope

Baldacchino and Bertram (2009, p. 145) argue in “The Beak of the Finch: Insights into the Economic Development of Small Economies” that multi-functionality, flexible specialization, and economies of scope are valuable concepts compensating for economic vulnerabilities (*read challenges*) on islands. Multi-functionality, where one person has more than one profession, is frequently observed on small islands because of the small population size (Bathurst, 2016, para. 6). Multi-functionality is a common feature in lightly populated places where it is difficult to commute via train, bus, or car, and where, because of the limitation of population, some people have to do several jobs. Bathurst illustrates that “in the small communities of the far north of Scotland, most people double up with jobs because it’s the only way to make the local economy work” (Bathurst, 2016, para. 4), and this would be the case for other islanders. Farrugia points to senior officials on Malta acting in multifunctional roles (Farrugia, 1993, p. 222) and Ismail addresses Maldives’ school principals having “multifaced managerial functions” (Ismail, 2002, p. 71, p. 73), the small population having also forced multifunctioning on officers and teachers.

However, there are also cases in which an entrepreneur starts a business and, because of uncertainty as to the viability of his/her newly-fledged company, continues in his/her former job

in order to mitigate his/her financial risk. As Fairbairn claims, successful Pacific island entrepreneurs “should engage in more than one business activity in order to spread risk and to maximize the benefits from his or her management skills” (Fairbairn, 1988, p. 276). Multi-functionality is effective in reducing the risks of starting a business for island entrepreneurs, but it is neither a powerful ‘solution’ nor a necessary requirement for successful island businesspersons, being, rather, a compensation for avoiding risks and a ‘peculiar characteristic’ of small labour markets.

2.4.4 Off-Island and Export

The hypothesis offered in this research is that combinations of export and niche strategy could offer effective solutions to solve the small market size for manufacturing companies. Armstrong and Read claim that extending the market is a means of overcoming the inherent diseconomies of small size (Armstrong & Read, 1998, p. 570). To compensate for small market size, selling across the island would be an effective solution, whereas, if a manufacturing company sells products off the island, they are faced with the many competitors in huge markets all over the world. Therefore, my claim is that exporting alone is not solution enough, but having products which stand out in global markets or focusing on and targeting the niche market,

and/or creating a unique product (niche product) are important to achieve results (as noted below 2.4.5 Niche Strategy). What is necessary is a small number of products which have unique characteristics, or special technologies controlled exclusively by one company (unique technology), or handmade and/or made-to-order products. Any of these scenarios may provide a viable solution for small market size, along with lightweight commodities which have competitive advantages over bulky, heavy commodities when transporting off-island.

Before continuing, I would like to define what I mean by off-island (in this thesis, 'off-island' is synonymous with 'off the island'). In this study, off-island is defined as shipping or delivering products to other provinces in Canada, as well as including exports to foreign countries, which may mean being subjected to fluctuations in currency and tariff, dealing with different cultures and languages, and contending with foreign government restrictions. For the purpose of this thesis, off-island is defined as both business transactions within Canada beyond P.E.I. as well as exports to other countries; however, the term 'export' in this thesis means shipping products beyond Canada.

As discussed earlier, P.E.I. has a small-domestic market, and to compensate for the small island market, my proposed solution is off-island with a niche strategy. Before addressing the P.E.I. company case studies in Chapter 3 and 4, I will first analyze through insights from existing

research why European entrepreneurs on various islands started exporting.

Baldacchino and Bonnici claim in *Real Stories of Small Business Success* (2005) that in their case studies on Åland, Iceland, Malta, Saaremaa, and the Scottish Isles, “the obvious limitation of the local, small domestic market means that the decision to export off-island is a foregone conclusion” (Baldacchino & Bonnici, 2005, p. 35). The case of the Åland-based luxury wooden venetian blind company, Snickarboden, shows that the company sold their products to local customers in their first stage, but “the local market of the Åland Island is very small for a manufacturing company,” and a founder of this company expanded his business abroad, having found a niche market for decorative office blinds (Baldacchino & Bonnici, 2005, p. 18).

Mdina Glass in Malta produces mainly mouth-blown decorative glassware as well as handmade glass vases, plates, and goblets, representative souvenirs for tourists, along with Maltese filigree and lace products (Baldacchino & Bonnici, 2005, p. 23; “About Mdina Glass,” 2014, para. 2). One of their products, a glass fusion plate, which uses cut glasses as a canvas, entitled “Malta scenes” and “Gozo scenes,” portrays landscapes of Maltese boats, sea, streets, and churches—Maltese island life. (“Malta Scenes,” 2014; “Gozo Scenes,” 2014). Glass products are heavy and fragile, but they also sell delicate, lightweight products, such as perfume bottles

and candle holders (“Products,” 2014). Baldacchino and Bonnici point out that “It was clear to the firm [Mdina Glass] that exports were crucial for its survival since the local market [of Malta] was simply too small” (Baldacchino & Bonnici, 2005, p. 24). These two case studies, along with another eight European small island firms featured in this book, underpin how small market size drove entrepreneurs to export their products.

Some academic articles suggest that, even if a company is small, export is possible from an early stage. With regard to company size, Calof (1993, p. 61) discusses that “smallness itself is not a barrier to exporting,” and Czinkota and Johnston (1983, p. 148) claim that company size is relatively unimportant for export behaviour. Relevant to this finding, statistics show that 33% of P.E.I. employees work in companies with fewer than 49 employees, while another 40% of P.E.I. employees work in companies with fewer than 99 employees (Government of Canada, Statistics Canada, 2016d). The companies which I intend to investigate fall into that categories.

When considering exports, importing should not be forgotten “because most microstate and SNIJ [Sub-National Island Jurisdiction] economies are highly dependent on imports” (Grydehøj, 2011, p. 186). Several P.E.I. industries “purchased many of their required manufactured goods from the outside” (Milne, 2000, p. 79). Analyzing both exporting and importing is crucial, as will prove to be the case with the studies in this thesis.

2.4.5 Lightweight and Portability

Real Stories of Small Business Success (Baldacchino & Bonnici, 2005) also suggests several important factors for successful exporting. When exporting commodities, having a self-sufficient means of transportation, having weight-free items, or having lightweight commodities would have competitive advantages over having heavy and/or bulky products.

Case studies on the two ship-building companies in Saaremaa, Estonia show that their “products are picked up on site by their new owners who are then fully responsible for their transportation” (Baldacchino & Bonnici, 2005, p. 51). Looking back at the history of P.E.I., the island once manufactured wooden ships and the ship building industry was prosperous on the island (Sobey, 2011). However, the shipbuilding industry on P.E.I. started to decline from 1866, and only three schooners were constructed from 1900 to 1914, the reason being the emergence of iron-hulled ships and the development of the steam-powered paddle wheel (MacIntyre, 1994, pp. 42-43). The wooden ship constructing companies could not keep up with these new technologies, nor could their shipbuilders adapt appropriate strategies to meet the new technological changes. However, this does not mean that no shipbuilding manufacturer exists on P.E.I. at the present time. Provincial Boat and Marine Ltd., which was established in 1974 and is based in Kensington, manufactures fiberglass fishing and leisure boats (“Who is Provincial

Boat and Marine?,” 2016, para. 2; MacKay, 1993, p. 18).

Nevertheless, having weight-free items may offer more advantages than having a self-sufficient means of transportation. Zero-weight and weight-free items apply to software for computers or internet domain names. *Real Stories of Small Business Success* (Baldacchino & Bonnici, 2005) portrays how Frisk Software International⁴ (which was based on Iceland and manufactured antivirus and anti-spam computer software), Shireburn Software in Malta (which offers cloud and web-based payroll software and software solutions for airports and shopping malls) and Consilia Solutions in Åland (which offers consultation services for web pages and Content Managing Systems), all expanded their markets and exported globally, exemplifying zero-weight services and commodities via which “freight costs are also completely avoided” (Baldacchino & Bonnici, 2005, pp. 39-40, pp. 46-49).

Other examples of such zero-weight commodities are country-code domain names (or the internet country codes e.g., .tv which is also written dot tv) or fish license fees for the government in Tuvalu (Baldacchino & Mellor, 2015; Conway, 2015, p. 229, p. 237), as well as electronic gaming (e-gaming) (Aloisio, 2015).

Although these zero-weight tertiary industry services would offer the best solution for

⁴ Frisk Software International was acquired by Commtough in 2012 (Cyren, 2012, August 1; Cyren, 2012 October 2, n.p.) and Commtough was renamed Cyren in 2014.

high transportation cost small islands, my target companies are manufacturing companies and, as such, less-weight or lightweight commodities must be considered.

Lightweight commodities offer important advantages, as evidenced by Gaeltec Devices Ltd., formerly known as Gaeltec Ltd., and based on the Isle of Skye, Scotland and, which manufactures miniature pressure “transducers (tiny electronic instruments for measuring pressure),” “Catheter Tip Pressure Transducers” for blood pressure readings, and medical instruments for both research and clinical applications (Baldacchino & Bonnici, 2005, p. 54; Gaeltec Devices Ltd, 2016, p. 4). Gaeltec Devices Ltd. declares in its product pamphlet that “There have been no major difficulties in manufacturing a high technology product in this remote area” (Gaeltec Devices Ltd, 2016, p. 4), and great advantages being their product’s portability, lightness, finding and focusing niche, and high quality which is guaranteed by ISO 13485⁵ (SGS ISO 13485 Certificate, 2015, p. 1).

A P.E.I. company, Bio Vectra also manufactures lightweight diagnosis kits which are easily transportable (Randall, 2015, p. 127). Foster points out that “Most companies hoping to establish an industry in beautiful Prince Edward Island are beaten by the product shipping costs. Diagnostic Chemicals Ltd. [currently known as Bio Vectra] avoids such trouble because of the

⁵ ISO 13485 (International Organization for Standardization) is quality management system for medical device and instrument as well as vitro diagnostics.

lightweight of the product” (Foster, 1984, p. 67). There was an interesting claim in 1987 that Charlottetown has always exported goods that are light and easily transportable: these goods include tobacco and shoes around the mid-1940s, and eyeglass frames, circuit boards, telephone fuses, and medical diagnosis kits [Diagnostic Chemicals Ltd.] throughout the mid-1980s (Rider, 1987, p. 87). In the next chapters, Chapter 3 and 4, I will discuss how these ‘light and easily transportable’ P.E.I. products manage to go off-island today.

2.4.6 Niche Strategy

Considering solutions to the economic challenges for small islands, Armstrong and Read address options such as “higher value-added manufacturing and services” or “niche-market products for export” (Armstrong & Read, 2002-2003, p. 240; Armstrong & Read, 2002a, p. 81), and claim that niche market strategies by small island states contribute to high growth (Armstrong and Read, 2002b, p. 446). However, they do not indicate what this high-value added manufacturing is or the content of such niche market strategies, because they apply a macroeconomic approach. Using a microeconomic approach, especially an accumulation of case studies, can explore concrete instances of high-value added manufacturing and niche market strategies. One purpose of this thesis is, via P.E.I. case studies, to shed light on how

entrepreneurs discover niche strategies, and how they create niche products. Before considering these case studies, however, it is necessary to establish clear working definitions of niche products, niche markets, and niche strategies.

Punnett and Morrison (2006) discuss the importance of niche products for island business and examine Caribbean Island entrepreneurs in “Niche Markets and Small Caribbean Producers: A Match Made in Heaven?” A niche product is defined by them as “an item whose primary value lies in differentiation and its particular suitability for a relatively small number of purchasers”: niche products are special and/or uniquely characteristic items, offering differentiated appeal to a limited number of purchasers who want to purchase unique products, different from those in mass production (Punnett & Morrison, 2006, pp. 344-345). The important feature of a niche product is that it has special, unique, and/or original features, and is not one of the “all things to all people” (Carter, et al., 1994, p. 35) products. Niche products are also characterized as “more individualized products tailored to the needs of very specific target groups rather than to the mass market” (Schaefer, 2014, p. 1805).

Having original features and being “individualized” and “tailored” are important points for identifying niche products. When creating original characteristics, one of the possible ways of doing so is by having a unique technology. For example, until P.E.I. based Island Abbey

Foods, Ltd. created solid cubed honey, no company had had such a technology. In this thesis, I call these technologies, ‘unique technology’ meaning a technology which no other company in the world has and which is unique to that company.

The second feature, having tailored individualized products, is also a crucial issue. As I discussed earlier, small island manufacturers are relatively small in size and if mass production is comparatively difficult, one of the solutions may be to have tailored, made-to-order, or handmade products because these products compensate for the small-size of their manufacturers.

Island businesses face the challenge of diseconomies of scale since mass marketing sales on small islands is considerably difficult; however, unique products, ‘unique technology’, and made-to-order products are particularly suitable for small island businesses for the reason that, these products are possible even for very small sized manufacturers and these manufactured goods are globally attractive to specific targeted groups of purchasers who value their distinguishing features.

A niche market means a narrow market—a crack—where potential customers, who want unique and/or novel products, exist. A niche market is “a focused portion of a larger segment that is generally not being addressed by mainstream providers” (Miller & Washington, 2009, p. 133). One illustration of “not being addressed by mainstream providers” can be found in the

Management Policies of Tokyo Telecommunications Engineering Corporation (currently known as SONY), which were written in 1946 by a co-founder and which state: We shall keep our business operations small and advance technologically in areas where large enterprises cannot enter due to their size (Ibuka, 1946, para. 12; Kikkawa & Nonaka, 2001, p. 196). A crucial point about niche markets is that they represent areas where large companies are not willing to penetrate because of their size, because companies which target niche markets are focusing on narrow cracks. As I illustrate in the next Chapter 3, one of P.E.I.'s companies targets a niche market where large eyewear companies were reluctant to manufacture the specific products in demand. Baldacchino claims that specialized niche markets are “especially attractive to producers based on small islands” because the manufacturing companies’ production runs are small. This small level of production meets their demand because niche products and their markets are based not on cost/price, but on differentiation (Baldacchino, 2010b, p. 65).

Although Punnett and Morrison indicate the significance of niche products in island business and illustrate the diaspora niche market, they do not underpin how these niche products are created on islands and how entrepreneurs deal with economic challenges. A recent book, *Entrepreneurship in small island states and territories* (2015), illustrates several niche markets in operation, including tax-free sales and arcade games on a ferry (Fellman et al., 2015) and

high-end luxury cosmetics for celebrities (Serra & Theng, 2015). To identify how niche products are created on islands and how entrepreneurs minimize economic challenges, an accumulation of case studies on island business is necessary, which is one of the tasks this thesis attempts to undertake.

The related terms niche strategy, niche marketing strategy, and niche marketing are integral to this identification process and are used differently by various academic scholars. Stachowski meticulously analyzes ‘niche marketing strategy’ literature and determines that “there is a lot more work to be done to develop the niche marketing strategy as different from differentiated segmenting in theory and in practice” (Stachowski, 2012, p. 101). Toften and Hammervoll also point to the lack of a common definition through their literature reviews, and conclude by providing a definition of ‘niche marketing’ as “offering a valued product to a narrow part of a market that displays differentiated need” (Toften & Hammervoll, 2013, p. 280).

Lindsay stresses that niche means “narrow” not small, and she states that “niche marketing” is the “targeting of a more narrowly defined customer group seeking a distinctive mix of benefits” and that niches come in many sizes in today’s world: some niches are small, like Chris Anderson’s “the long tail” (Anderson, 2006, p. 22), but she insists that a narrow market can be quite large (Lindsay, 2007, para. 16). Shirky provides examples of niche markets on web

sites which become large and which he calls “a meganiche” (Shirky, 2006, para. 3). Fiji Water is another example of a small niche market which became a large market. Most people drink tap water or inexpensive mineral water, and expensive mineral water, such as the highly priced Fiji Water, would be not be a big attraction for them, especially if their tap water quality is good. However, Fiji Water is targeted at what Connell calls “elite consumers” (2006, p. 349), such as celebrities and those who attach importance to the source and content of water (Kaplan, 2007; Khamis, 2010). These people purchase Fiji Water and a fact shows that 28 million U.S. dollars worth of Fiji Water was sold in the U.S.A. alone in 2015 (Statista, 2016). Narrow markets, therefore, have the potential to be large, and I adapt niche marketing such as this in line with Toften and Hammervoll’s definition.

Bantel (2006, p. 131) suggests niche strategy is “avoiding direct competition with large firms, or compet[ing] broadly,” and the rationale for niche strategy is “specialized, high-quality products targeted to overlooked market segments avoiding competing on price, where large, established firms have an advantage.” This thesis, which is entitled “Niche and Off-Island Strategies for Island Business: Case Studies from Prince Edward Island,” adapts Bantel’s definition of niche strategies, asking how entrepreneurs avoid competition with large competitive companies, how entrepreneurs find overlooked markets, how they create niche products and find

niche markets, as well as investigating the strategies they employ. Most importantly, there are four pillars for analyzing niche strategy in this thesis: niche market, niche product, made-to-order products, and unique technology.

The hypothesis offered in the thesis is that compensating for the challenges of island business means off-island or exporting products in combination with more than two of the following characteristics: niche markets, niche products, made-to-order service, or unique technology. These requirements will provide a solution and open new ways for manufacturing companies to maximize potential for success on the island.

2.5 Reasons for Choosing Fellow Earthlings and Island Abbey Foods Ltd.

This thesis focuses on locally-owned and locally-based small sized manufacturing companies on P.E.I. I use specifically targeted research to gain an understanding of how entrepreneurs cope with their particular economic challenges and opportunities, focusing on the export and niche strategies used by Fellow Earthlings (handmade sunglasses, selling products mainly through the internet) and Island Abbey Foods Ltd. (manufacturing honibe[®] products).

The reason I selected the two P.E.I. based manufacturing companies is because each of these companies conforms to the five applied variables identified in “Editorial: Entrepreneurship

and Small Business Development in Small Islands,” which are “local ownership, small size (less than 50 employees⁶ or outworkers), manufacturing, export orientation, and technology adaptation” (Baldacchino & Fairbairn, 2006, p. 333).

Fellow Earthlings produces sunglasses and targets niche market customers who are less concerned about price but want to wear distinctive, original, and made-to-order sunglasses. Island Abbey Food Ltd. produces niche products, and has invented a unique technology for dehydrating liquid honey into a solid cube without compromising the taste of the honey. In addition to these companies focusing on niche products, another similarity they share is in exporting lightweight products and targeted world markets from the beginning. Both companies were started by husband and wife teams and, in both cases, at least one spouse came from P.E.I. However, dissimilarities among two companies also exist, including the length of time each of the companies has been running: Fellow Earthlings is a fledgling company and has been running only two years since its establishment, whereas Island Abbey Foods Ltd. has been operating for over 10 years. In addition, Fellow Earthlings is based in Kings County (the more rural eastern area of P.E.I.), while Island Abbey Foods Ltd., which was started in Montague, now has its main manufacturing facilities in the largest island city of in Charlottetown.

⁶ When I was writing this thesis, the number of employees in Island Abbey Foods Ltd. was under fifty; however, the number of employees of the company rapidly increased recently, with about 80 employees at present.

Because of the current insufficiency in information about the companies (see section 2.6 below, Significance and Originality of this Study), especially about Fellow Earthlings, conducting further research about their export strategy is necessary and indispensable to better understand how such island entrepreneurs cope with the particular economic challenges they face. And, despite the literature that exists about Island Abbey Foods Ltd., questions still remain about their strategies for off-island. This thesis will attempt to address these questions and challenges.

2.6 Significance and Originality of this Study

Except for Randall's recent insights (2015) and Baldacchino's findings (2002, 2015b), existing academic articles about P.E.I. companies and entrepreneurs do not fully research or focus on the use of a niche strategy on P.E.I. One original aspect of this study is that it will discuss Fellow Earthlings for the first time in academic research. The second original contribution of this study is that it explores niche strategies on island businesses by focusing on four key phrases: niche strategy, niche market, made-to-order, and unique technology. As far as I know, this may be the first time island studies research concerning business that an investigation is being conducted around these four key terms.

Several articles and books researching P.E.I. companies currently exist. Lynch (1996)

discusses Atlantic Canada's entrepreneurs and includes a consideration of the following P.E.I. companies: Prince Edward Island Preserve Company, Cavendish Figurines Ltd., and Diagnostic Chemicals Limited, but no mention is made of Island Abbey Foods Ltd. and Fellow Earthlings. There are three other case studies written about Prince Edward Island Preserve Company: in chronological order these are "Prince Edward Island Preserve Co." (Beamish, 1991), "A Taste of Small-Island Success: A Case from Prince Edward Island" (Baldacchino, 2002), and "Prince Edward Island Preserve Company: Turnaround" (Beamish & Lupton, 2008). Compared to studies on Prince Edward Island Preserve Company, those which focus on Island Abbey Foods Ltd. are few, and none of these studies include Fellow Earthlings.

One article and study on Island Abbey Foods Ltd., *Project 4a Case Studies on Success Traits: Island Abbey Foods* (Raymond, 2014), lacks the island perspective, especially in the area of economic challenges.

Until now, no scholarly research has focused on and written in detail about Fellow Earthlings and, in my own work, I intend to pay close attention to Fellow Earthlings and one of the P.E.I. representative companies, Island Abbey Foods Ltd. and show how each of them copes with the specific economic challenges and opportunities they encounter on the island.

2.7 Methodology

This thesis will explore through case studies how two companies minimize economic challenges and maximize opportunities. Yin (2003) has determined that, “[i]n general, case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed” (p. 1), and it is for this reason that I conduct two detailed case studies on P.E.I. in this research. Hamel (1993, p. 29) claims that “[a]ll theories are initially based on a particular case or object” and Willig argues (2003, p. 101) that “case studies can also be used to test existing theories or to clarify or extend such theories.”

This study attempts to extend the theory of niche strategy by offering four key pillar phrases: niche product, niche market, made-to-order, and unique technology. These key terms emerged as salient and significant from my close reading of case study interview scripts; but they were also inspired by my extensive background reading of the performance of small business on small islands, which led me to choose the double/comparative case study approach as my preferred methodology. In addition, due to my past experiences in writing several company case studies (Nonaka, 1987, 1995a, 1995b, 1998, 2005, 2008; Kikkawa & Nonaka, 1995, 2001), I hope to find new insights through comparison with these case studies.

I use both quantitative and qualitative research methods for this thesis. The data has been collected through in-depth semi-structured audio-taped interviews with three P.E.I. entrepreneurs. These interviews were transcribed and copies of the invitation letters and guiding interview questions are found in the Appendices (Appendix A-E). Each interview ranged in time between 60 to 90 minutes and included introducing the participants to the interview process, signing a consent form, and answering a questionnaire which was sent in advance by both e-mail and mail. I followed Leonie Baldacchino's (2009, p. 5) guidelines, ensuring that "each transcript was e-mailed to the respective respondent for a process of member validation, whereby they were asked to read through the document and verify that the information was reported truthfully and accurately, and to make amendments if necessary." Accordingly, and to avoid any misunderstandings, I sent the transcripts to the interviewees and asked them to revise the transcript if necessary. Questions to the interviewees consisted of two parts: the first was common to both companies, including reasons for export, limiting factors/obstacles in the drive to export, raw material import, and niche strategies; the second part had questions specific to the company which differed depending on the company. My original intention was also to include research on manufacturing companies which create heavy and/or bulky products and on immigrant companies. Unfortunately, however, my invitation to these companies was turned

down, and so it was not possible or feasible to include these aspects in this thesis.

Field observations were conducted during my three-year (2013-16) stay on P.E.I., including three short personal interviews with entrepreneurs. The research also uses secondary sources such as government documents, local newspapers, radio and television interviews, and press releases about the companies as well as a survey of relevant literature.

When researching a company, an annual report and a financial report are indispensable. However, these materials are neither accessible nor available to the public in the case of small family-owned companies on P.E.I., and this is a limitation of this thesis.

Both Fellow Earthlings and Island Abbey Foods Ltd. started their business from their basement and grew from there. The next chapter will discuss Fellow Earthlings which focuses on the niche market of handmade made-to-order sunglasses and will consider how Fellow Earthlings found a niche market in the eyewear industry.

3. Case Study: Fellow Earthlings

3.1 Introduction



Source: Fellow Earthlings [FEarthlings], 2014.

Retrieved from <https://twitter.com/FEarthlings/status/543426922290896897>

An opaque milky-white pair of sunglasses stuck into the snow, with their green mirror lenses reflecting winter's bare trees (Fellow Earthling, 2014). This is the first picture on the Twitter account of Fellow Earthlings, which produces and delivers handmade sunglasses from Guernsey Cove, P.E.I. to all over the world, for customers who want to wear unique, original, and made-to-order sunglasses. The products are sold via the internet and customers can choose their preferred shapes and favourite colour frames and lenses on the website. All sunglasses are sold

at the same price, which includes tax and shipping from P.E.I., Canada.

The sunglasses are made by Chris Seggie who is mainly in charge of designing and production, while his wife, Sydney Seggie, is responsible for marketing and branding (“Guernsey Cove basement home to eye wear company,” 2015, para. 1). Fellow Earthlings was first set up as a partnership, and it was officially established in August 2014 as a company on P.E.I. (Royal Gazette, 2014, p. 788; Government of Canada, Innovation, Science and Economic Department Canada, 2014). Their web address is <http://www.fellowearthlings.com/>, and their business name—the officially registered company name—is Fellow Earthlings; therefore, I will use the name Fellow Earthlings in this study. It took years of planning before this husband and wife team found a niche market and began producing Fellow Earthlings sunglasses.

This chapter will explore the following questions. How did the two entrepreneurs find their niche markets? How did they come up the idea of selling products mainly through the internet, customers can choose their favourite shapes, lens, and frames on their web site, selling at the same price, which includes shipping worldwide from P.E.I.? What were the opportunities and challenges of doing business on and from the island?

The following is based on an interview with Chris and Sydney Seggie which took place at their workshop in January 2016. To maintain privacy, some company names and personal

names used during the interview are not used in the text. However, in the parts which offer explanations of the eyewear industry, company names are not anonymous because descriptions in these sections are based on published articles about the industry.

3.2 Finding a Niche Market

Sydney Seggie's father was involved in the eyewear industry and her family originally came from P.E.I. Because of her father's job, Sydney lived in Hong Kong and Fukui, Japan when she was child but the family came back every summer to their cottage on P.E.I. She states that "P.E.I. is very much my home." When her family returned to Canada, they lived on P.E.I. because they had always maintained a cottage here. A few years later, she went to university in Halifax, Nova Scotia, where she met her future husband, Chris, who was from Halifax.

Subsequent to acquiring working experience on the Cayman Islands, they had a chance in 2008 to serve as interns for an eyewear company in Hong Kong, starting work as unpaid interns for that company. The unpaid interns then quickly became marketing employees and Sydney became a brand manager, with the responsibility of managing the direction of the eyewear collections and having direct dealings with the brand and sales regions. This company had already acquired brand partners before Sydney and Chris Seggie started working and the number

of partners continued to increase during their tenure. It was becoming a trend in the eyewear industry that wearing brand eyewear made a 'fashion' statement (Yoon & Kato, 2008, p. 12) and these brands reflected the names of their famous designers. During their two year working experience in Hong Kong, Sydney and Chris Seggie learned and accumulated valuable knowledge and experience on the marketing and branding of eyewear. They moved to London, England, where both Sydney and Chris Sydney worked as brand managers for the same company. Through their jobs in Hong Kong and London, they discovered the existence of a niche market for which big eyewear companies hesitated to manufacture.

How did they find a niche in an eyewear market which is occupied by high-end European eyewear companies and economically priced Chinese ones? Finding a niche market first began when Sydney and Chris Seggie lived in Hong Kong. A well-known apparel and cosmetics designer visited their Hong Kong office. She had opened a retail shop in the 1990s, later building her headquarters in New York and opening boutiques within department stores in Asian countries. She was looking for someone who could make special sunglasses for her next fashion show. The sunglasses that she wanted looked like goggles and, instead of using temples, a wide band was used to fit around the head. It was two months before her next fashion show and she needed goggle sunglasses by the fittings for her show, not by the date of the show.

The product manager in Hong Kong said that it was not possible, and he could not make them. No factory would make such goggle sunglasses because the designer would not buy a large number of them. They were like show pieces. This situation would be a disappointment for the designer and revealed that designer demand did then exist for a specialised sunglass manufacturing company, which could produce a small number of unique sunglasses that would appropriately fit the designer's fashion show clothes and theme. In addition, these glasses had to be manufactured within a short lead time (the time span from design to finished product). However, no company existed at that time which would risk making such a small number of glasses within the required short time frame. None of the large manufacturing eyewear companies were willing to do so, but a small company might be able to actualize this need. Sydney and Chris Seggie noticed the designers' dilemma and located a niche market where a small amount of eyewear could be produced to conform with a designer's vision and where this eyewear could be finished within one or two months.

Chris Seggie also noticed the opportunity in this niche market through another experience in London, England. He was working on eyewear for a men's apparel and fashion accessories brand in London. The company wanted eyewear for fashion shows and photo shoots; however, at the company for which he worked, he could only change the sunglass lenses or minor details

for the fashion shows and photographs because it was impossible to make entirely new sunglasses for these shows or photo shoots within just one month. Chris Seggie had to constantly relay this bad news to the apparel brand companies. This experience made him realise again that there was an opportunity for a small eyewear manufacturing company which could provide a small amount of eyewear for shows and also of the importance of a short lead time to finish the products.

Despite there being many eyewear companies in the world, there was no company at that time which could satisfy these particular time-sensitive demands. Chris Seggie recalls “We learned first-hand the need for something like this that could produce those in the right time frame.”

“Career-wise it was a great experience,” Chris Seggie states, continuing that life in London was “secretly unhappy.” His wife picked up on this remark, saying, “It was not the life for us, to live in a big city; it was very expensive, too hard. Even if we got promotions we would never own a car or a house, anything. We could make so much money but still our lives would not be fulfilling enough. Because it is hard to climb up in a big city.”

They decided to finish up working in London and come home to P.E.I. because Chris Seggie knew a person in Charlottetown who could mentor him on how to make eyewear. Both

Sydney and Chris Seggie had rich eyewear industry experiences in marketing: both had been involved in brand marketing campaigns across different countries, working directly with the brand on the collections structure, and discussing and collaborating with designers, in all ‘except production.’

3.3 Finding the Place in Guernsey Cove on the Island

Since returning to P.E.I., Chris Seggie had been learning the manufacturing of eyewear from a mentor who was a master of eyewear making for 50 to 55 years. Chris Seggie’s mentor came to P.E.I. in 1980s, having gained experience in many different cities and islands, and Chris Seggie has had the opportunity of learning from him since June 2011. Mr. and Mrs. Seggie started their new life on the island, renting a house in Murray Harbour for one winter, to figure out what they would do next. Sydney Seggie asserts, “We fell in love with this part of the island, because of the coastal view,” and they drove along the coast each day to get to Charlottetown for work. One day they had the opportunity to purchase a property in Guernsey Cove, not far from Murray Harbour, from a lady who was moving. This is the place where Fellow Earthlings is now located and where Chris and Sydney Seggie “felt comfortable beginning [their] life and also starting [their] business.” Chris Seggie states, “We got here in 2013,

probably two or one years before the website for Fellow Earthlings opened.”

They had the idea of developing two sides to the new business: one was making sunglasses for designer fashion shows, or prototypes, producing small numbers of glasses within a short lead time; the other was a business in which the customers choose the shape, colour of lenses and frames of handmade made-to-order sunglasses via the internet. These sunglasses are produced for customers who want something new as well as something fashionable. These sunglasses are what Fellow Earthlings offers to its customers at present. They started their business from the basement of their home, but were quickly able to then construct a new two-floor workshop nearby.

3.4 Located Here but Not a Local Business

One side of Chris and Sydney Seggie’s business on P.E.I. is making special eyewear for designer fashion shows and that is exactly what they discovered via first-hand experience in international markets. One designer, who they had met in Hong Kong, has been working with them for a long time, ever since Sydney was a brand manager for her collection there. After Sydney and Chris Seggie moved to London, Sydney was able to continue working with the designer on a consultancy basis and their correspondence and relationship has continued.

Sydney Seggie notes,

Chris wasn't being paid to apprentice when he learned how to make eyewear. He began working for a previous company again, where we worked, doing prototype work because in the eyewear industry now most large factories aren't making end to end eyewear pieces in their manufacturing and so there is demand for people who can make unique eyewear. For those who don't want large quantities, and need a shorter time line, things like that. Especially when it comes to fashion shows, or something like that, which requires deadlines; an idea might not be there a year ahead of time, they might want to work within a month or something like this. We can help with that too.

The number of designers who are asking them to produce special sunglasses or prototypes is increasing and Sydney Seggie goes abroad occasionally to meet and discuss with the design teams and help them to develop the collection. Sydney Seggie is able to appreciate and discern the design concepts and Chris Seggie has the competence to realize these concepts into special sunglasses or prototypes. Below is an example in which stained glass frames are made from a mixture of several colours of acetate (raw material for sunglass frames), according to the

designer's vision.



Designed and created sunglasses by Chris Seggie. Photo by the author

In February 2016, sunglasses which Chris Seggie made were in the spotlight on the faces of models in runway fashion shows. CBC News in Prince Edward Island (the Web) announced that “Anna Sui’s New York Fashion Week show features P.E.I.-made sunglasses” (Sinclair, 2016, para. 2). With lively music, models appear on the stage and start to walk down the runway (FatalefashionIII, 2016). Not all models are wearing sunglasses, but out of over forty costumes, eight round-lensed sunglasses attached with sparkling artificial stones emerged in the show. All had different coloured frames with various tints and stones, sunglasses which perfectly matched the clothes, and harmonized with the theme of the show—“a mix of pop and psychedelic”—and with the colour theme, which included plum, azure, aubergine, and colours of flowers, as well as jade, and metals (“Anna Sui Fall 2016,” 2016, para. 6). For this show, Chris Seggie ordered

special coloured acetates to design and create these sunglasses.

This is not the first time that the sunglass creations of team Sydney and Chris Seggie have been in the limelight at a show. In 2015, their goggle sunglasses, which the designer whom they visited in Hong Kong wanted, came in sight on the faces of models walking to music in the 2015-2016 Fall-Winter Fashion Show (FatalefashionIII, 2015a). Five different variations of colours glasses and four goggle-shaped sunglasses appeared, one of them on a blond model, wearing blue and white boots, tights, a jacket and a colour combination of blue and white goggles. For the same designer's spring summer collection (FatalefashionIII, 2015b), Chris and Sydney Seggie made four new sunglasses, as well as three which were engraved with the flowers and leaves of the hibiscus. All these glasses were designed by Chris and Sydney Seggie, based on images or pictures of the designer's clothes which were sent in advance, and were created and shipped from their workshop on P.E.I. to New York for the shows. Their workshop is located on the island, but they are doing business internationally.



Source: Fellow Earthlings [FEarthlings], 2015b.

Retrieved from <https://twitter.com/FEarthlings/status/570279501000810496>

Not only have Chris and Sydney Seggie created designer sunglasses for fashion shows, they have also done design work for a film maker in Switzerland, and have made a movie using a custom pair of glasses as part of the plot. If there is an issue to design work for fashion shows, it is that it is not a year-round job because shows are basically held approximately twice a year. Another branch to the business, —in other words, an additional pillar or expanded “economies of scope” of the business—would be necessary to sustain them. These issues are discussed in the following sections, including insights into the reasons for exporting.

3.5 It’s Cool! Focus on Niche Market

The other branch of team Chris and Sydney Seggie’s Fellow Earthlings business has

several characteristic features: customers can choose the lenses and frames for made-to-order sunglasses, which are shipped around the world for a fixed price in Canadian dollars that includes delivery cost and tax.

From the beginning, Fellow Earthlings' strategy has pursued and focused on niche markets which huge global eyewear competitors could not reach. Chris Seggie's remark that "We are not coping with global competition, we are avoiding it" exemplifies that they planned an elaborate strategy to find out the 'niche market' in the eyewear industry.

People who look at Fellow Earthlings' website will notice that customers can select from fourteen colours, including green mirror, purple mirror, or pink lenses ("Shop," 2015), which are unique and uncommon lens colour hues. Variations of frame range from basic colours, such as authentic black and tortoiseshell to crystal purple, crystal pink, and many other vivid and novel colours which are updated via Fellow Earthlings' Instagram and Twitter sites. Customers can select from four kinds of sunglass shapes right now, but Fellow Earthlings will add two or four more shapes in the near future. In total, customers can select from 2000 combinations involving the colour of lenses, frames and shapes. After customers select the lenses, frame and shape, they just click on the website and the order is completed easily and promptly.

Another unique feature of Fellow Earthlings is their handmade sunglasses, made-to-order

according to individual customer choice. The shape of these sunglasses is not limited to the selection on the website. If a customer needs a special shape of sunglasses, Fellow Earthlings will grant this request as far as it is possible. These special shaped made-to-order sunglasses satisfy customers who wish to wear sunglasses which are contemporary and highly individualized. The company website states that “We offer a custom eyewear design and production service with no minimum order and short lead times. If you require custom eyewear for yourself, your brand, or show, please contact us at [their e-mail address] to discuss your project.” (“Special Project,” 2016, para. 1).

Fellow Earthlings aims at differentiation from other large eyewear companies by ensuring a shorter lead time than the big eyewear companies. Through their international experiences in the eyewear industry, Chris and Sydney Seggie noticed that, with other eyewear companies, if a customer places a special order, it takes up to a year to get the product from the time of placing the order, and customers will not see their product for at least six months. Fellow Earthlings, on the other hand, normally offer special made-to-order sunglasses, from order to finished product in two to three weeks.

This made-to-order business is also able to accept other special requests. Chris and Sydney Seggie point out that “We can always help someone who has normally no options. We

also offer full custom wear, shapes that they want to fit for their faces. If someone says to us, ‘oh, I have a very large head’ or ‘small one,’ or ‘my head is really wide but my face is really narrow,’ [we are ready to accommodate these scenarios]. In some cases, if a customer sends an e-mail stating ‘I don’t want the glasses to look really wide on my face,’ we keep the front piece small and help to make their sunglasses so that we accommodate the customer’s face.” Their special made-to-order service answers requests from customers who cannot find suitable sunglasses in existing establishments.

The merits of the ‘made-to-order’ approach benefit both the customers and Fellow Earthlings: made-to-order service gives Fellow Earthlings no inventory of finished products. Sydney Seggie explains that eyewear retail shops normally purchase several pairs of glasses, such as, 25 black frames and 25 tortoiseshells, which they sell in their retail shops. However, Fellow Earthlings does not manufacture even the popular colours in advance (before accepting orders). They have no finished products as inventory, but only raw materials for making the sunglasses. This makes it easier to control inventory management.

On the website “Return Policy,” Fellow Earthlings announces that “we cannot offer returns or exchanges. However, if you experience any issue with your Fellow Earthlings sunglasses please contact us at [their e-mail address] and we will do our best to accommodate

you” (“Return Policy,” 2015, para. 1). They explain that after purchasing Fellow Earthlings sunglasses, if the sunglasses are too loose or too tight for the purchaser and need adjustment, Fellow Earthlings will gladly fix the problem, a service which “is quite easy,” because with made-to-order, they as the manufacturers deal directly with their purchasers.

Business via the internet offers great opportunities for entrepreneurs, like Chris and Sydney Seggie, who live in peripheral or remote places; however, at the same time, they need to resolve customer concerns before and after their orders. These concerns are not only whether customers are able to ask for adjustments after they receive the products. How does Fellow Earthlings solve potential purchasers’ concern if customers cannot try on sunglasses like they do in retail shops? Chris Seggie explains that most of their customers know their own PD (Pupillary Distance) size—distance between the right and left pupils and if customers include their PD size when they order, Fellow Earthlings can create sunglasses which fit perfectly.

Another anticipated problem for eyewear internet ordering is how the company accommodates glasses that fit differently on individuals, such as Asians who have different height bridges on their noses. Chris Seggie states that this is still a big challenge for him, although, his experience in Hong Kong gave him a useful solution. When they were working in the eyewear business in Hong Kong, one of the first things they learned was about what was called “Asian fit”

which has to do with nose shape and nose pads for Asian people. In addition, through their experience in fashion shows, they found a solution. They created a North American Collection and an Asian fit one—mostly for Korean customers—and adapted the shape of the nose pad accordingly. An eyewear manufacturer can file the nose pad wider at a certain depth, for a wider range fit. The length of the temples can also be accommodated, if the manufacturer makes slightly longer temples than average, and bends them in a way that makes them flexible for a wider range of people. Fellow Earthlings does its best to eliminate difficulties for customers who cannot try on their sunglasses via internet ordering.

All Fellow Earthlings' sunglasses sell at the same price, CAD\$250.00, which includes shipping costs and tax. Both international and domestic shipping costs are contained in the price. The "Terms of Service" on their website informs that "We offer free international shipping and will notify you when your order has shipped. Production time varies depending on order volumes so please expect 7-10 days before your order is complete (excluding shipping)" ("Terms of Service," 2015, para. 1).

Chris and Sydney Seggie explain the reason for fixing all their sunglasses at the same price: usually, when people purchase commodities via the internet, even if the price is \$100.00, the total price will become more than that, sometimes even double, because the base price does

not include shipping, handling, and tax. They want to change this experience for their customers. From the view point of the shipping price, the farther away from P.E.I. the customer is, the more he/she can enjoy the value of cut price shipping. The following section will discuss where they export their sunglasses, but the farther away from P.E.I. the customer is, the more he/she enjoys the value of the glasses, which could explain one of the reasons customers in Russia and Scandinavia order them. That Fellow Earthlings does business directly with their customers via the internet, avoiding wholesalers and distributors, is another way they cut distribution costs.

Fellow Earthlings' prospective and targeted clients are those who are looking for something different, *sui generis* sunglasses, with surprise product one consumer commented: "I have never seen such a combination of colours" and "It's cool." They offer sunglasses to customers who want to wear something new, a unique eyewear which cannot be found in other shops. For example, people who are planning their next summer vacation and decide, "I want to take this crystal purple frame, purple mirror lens, and cat-eye shape sunglasses." Another customer might be thinking "For my friend's birthday, I want to order this crystal honey colour frame, silver mirror pair of sunglasses." Customers are usually buying for fashion, not for primary glasses or daily use, such as reading or prescription glasses.

Fellow Earthlings' sunglasses are niche products targeted at niche markets. Sunglasses are shipped in organic cardboard boxes around the world from P.E.I. Where do these Fellow Earthlings sunglasses go after leaving the island?

3.6 Minded towards the World and 'Off the Island'

Exporting to foreign countries or shipping off the island is their first priority and Chris and Sydney Seggie considered this from the beginning in establishing Fellow Earthlings. This was because they noticed the smallness of the market on the island for their unique, high end sunglasses. Fellow Earthling has been exporting its products since 2014; triggers driving these exports were (1) awareness of the small home market size; (2) expanding the scope of business: there are two sides to their business, one is design work for fashion shows, speciality sunglasses and prototype sunglasses for new designs or photo-shoots; the other is Fellow Earthlings handmade made-to-order sunglasses, in which customers select their preferred lens, frame and shape, all for the same price, including shipping and tax; and (3) to spread the company name and products: over 90% of their sunglasses go off the island from P.E.I.

Fifty to fifty-five percent of Fellow Earthlings total sales comes from the rest of Canada: British Columbia, Ontario, a little from Alberta and some Maritime provinces, such as Nova

Scotia. Fellow Earthlings has a partnership with a Canadian-owned Vancouver-based company which designs and makes headbands, hats, and clothing. This company sells via the internet having many Instagram followers (more than 32,000 followers). Customers can also purchase items in several retail stores across Canada, the U.S.A., France, and Australia. Both this Vancouver-based company and Fellow Earthlings introduce each other's products via Instagram sites and the two companies also collaborate on a joint Instagram site as well. Even though one company is located on the west coast and the other on the east coast of Canada, each company's customers are introduced to the other's products via the internet's social media. The two companies have created a mutually beneficial synergy. The one company is mainly hair bands and accessories, the other is sunglasses; they appeal to similar socio-economic demographic customers.

Sydney Seggie explains that, with regards to customers in British Columbia and Ontario, the demographic and socio-economic factors reveal that "people living in city centres are more willing to spend a certain amount of money on their fashion accessories and are also looking for cool products. They go for something more fun. For example, customers might want a matte crystal mint frame with a white gold lens, which they cannot get anywhere else." She adds that "they are looking for Canadian made. At least from my experience dealing with the internet's

social media followers, they are very much supportive and appreciative of Canadian made products.” On the inside of the temple arm on Fellow Earthlings’ sunglasses, “handmade in CANADA” is proudly engraved. It is also possible to ask Fellow Earthlings to do “optional engraving” (Egan, 2014, para. 9), such as the customer’s name.



Source: Fellow Earthlings [FEarthlings] 2015a.

Retrieved from <https://twitter.com/FEarthlings/status/563737252212142080>

The second largest sales total comes from the U.S.A., accounting for 25% of Fellow Earthlings’ total sales. Chris Seggie states that the Canadian brand has been effective in the U.S.A. and Americans appreciate Fellow Earthlings Canadian-made products. Sydney Seggie theorizes that “Not just Canada, but the North American element” might contribute to their sales. She continues that “People feel ‘aligned,’ because many people in the U.S.A. are interested in home grown or similar soil.” Besides, since 2014 when they started Fellow Earthlings, the

appreciation of the U.S. dollar (XE Currency Charts, 2016) means even better value for American customers. Chris Seggie points out that “because the U.S. dollar is so strong recently, one pair of Fellow Earthlings glasses [CAD\$250.00] was US\$200 about six month ago, then US\$160, then in January 2016 the price was US\$142. So this is very positive for us so far.”

The third largest sales figures come from the U.K., Australia, Russia, and Scandinavian countries, which account for about 15% of total sales. The last and the lowest portion of sales, 5-10%, comes from their home island, P.E.I. Only two years after establishing their company, the co-founders explain that they would like to begin to appeal more to local customers. The percentage of total sales on P.E.I. is small but they plan to focus more on local sales in future and Fellow Earthlings sunglasses are stocked in an optical shop in Charlottetown.

Chris Seggie states that there have been no limiting obstacles so far for Fellow Earthlings to overcome in its drive to export. He explains that, in the case of their company, tariffs, foreign government restrictions and transportation costs from P.E.I. to the destinations have not been applicable to their company so far. This is because of the nature of their products: the freight is light, and Canada Post delivers their sunglasses to domestic locations, or to the U.S.A., European countries, and Australia. Eyewear transportation cost is not a huge obstacle for them because their product is not bulky and/or heavy like the products of other companies. Chris Seggie

continues that, “Any limiting factors so far have just been our own ability and time, two people with two kids, and we don’t have the capital to employ others.” He laughs that their limiting factor is themselves. The exchange rate of U.S. dollar was favourable to the company from 2014 to 2016 and transportation costs are low, although Chris Seggie guesses that their materials are a little bit more expensive to ship to P.E.I., mostly because they only require small amounts of raw material, shipped by air instead of by sea, from the Italian company and its Italian company’s factories in China, and paid for in U.S. dollars. He notes that “lack of information about the foreign market would be applicable to us,” although, Sydney Seggie points out that “We are also fortunate to have established connections and customers previously when we lived internationally.” Their background of having worked internationally is a valuable experience.

3.7 Opportunities and Challenges of Doing Business on the Island

Do Fellow Earthlings’ two entrepreneurs feel that being physically located on an island is a competitive advantage or disadvantage and do they value the opportunities and challenges of doing business on P.E.I.?

Chris and Sydney Seggie state that the low cost of land and living, the quality of life, an international perception of P.E.I., and the history of eyewear industry on the island are benefits of

doing business on P.E.I. In addition, even with their work place located in a peripheral location, the drawbacks of such a distant location are overcome in this internet society, with the development of social media which can quickly dispatch information involved in the process of making their products. It is also, noteworthy to mention that they enjoy doing business on the island and they attach the image of the place to their products—showing pictures of where they make the sunglasses and of the surrounding landscape, and of their way of living—which also adds to the advantages.

The property where Fellow Earthlings workshop is located is not as expensive as it would be in other places. They report that even the building of a new workshop in 2015 was completed at a reasonable price. The cost of living and rent are far more affordable than they would be in London or Hong Kong. Compared to when they were employees at the eyewear company in London and Hong Kong, they took a large pay cut coming to P.E.I., but still have a fine quality of life. In fact, they bought their first car when they came back to P.E.I.

Sydney Seggie points out that the international perception of P.E.I. is also an opportunity in doing business on the island. She comments that “We are on a small island in Canada that most people have never heard of or if they have it is because of *Anne of Green Gables* or something interesting like that, like from a fairy tale, and then it is almost about re-telling that

fairly tale. For the children here it's going to the beach every day, it is a wholesome lifestyle and I think that translates well in marketing. People prefer the option of purchasing something where they also have a choice and are helping to provide for a small family like this, instead of a big huge company and getting something that is being made for a few dollars in China and being sold to them for a hundred times more and that's the way most eyewear is sold."

Sydney Seggie is proud of the lifestyle and landscape on P.E.I. and Chris Seggie reflects, sitting on the chair of the workshop where he can see his home-province of Nova Scotia from the window, that he has been here only a few years, so it has not necessarily influenced their art yet. However they feel they are such a good fit with the island and do appreciate their position every day. Sydney Seggie also believes that they did not like living in big cities because they had children and prefer the wholesome natural and safe environment on P.E.I.

The pictures of the landscapes around Guernsey Cove and their lifestyle on the island are what Fellow Earthlings sends out via Instagram and Twitter sites, along with pictures of their sunglasses and the process of making their eyewear. On their social media, one of Fellow Earthlings' sites shows viewers the red cliffs natural to the island beaches (Fellow Earthlings, 2015c). If people visit P.E.I., red soil is a typical characteristic of the landscape for tourists, who are astonished and curious about the soil colour, which features prominently as part of the

attachment of the place of the island. During winter, small ice floes float in the sea near the island, and if they are lucky, people might see a white baby seal creeping on the beach or coyotes walking in Guernsey Cove.

People who are thinking about ordering sunglasses are able to see where the sunglasses are made through these pictures on Fellow Earthlings' Instagram and Twitter sites. During the interview, Chris Seggie said that "Sitting at our desks in our workshop doing drawings today, Sydney pointed at the seals that are all having their babies right now." They also illustrate the pictures of eagles and whales there. Chris Seggie states that "just in general, we appreciate our surroundings."

The pictures on their social media capture the clear blue sky and grasses, growing in June, the feel of the air and the aromas which waft from the sea and surrounding landscape. Another picture vividly illustrates the crimson-glowing sunset on a tranquil red beach in October where no one is walking except a photographer. These scenes via the internet can help people envision where the sunglasses are being made and can prompt them to imagine the calm and happy lives of the eyewear creators. These landscapes were not experienced by the two eyewear employees when they were working in Hong Kong and London. It would seem that the landscape on the island reminds Sydney Seggie of when she was a child during summer vacations spent on P.E.I.,

and she would like to transmit these experiences to her children and to the viewers on her site. Another picture shows their dog and child watching view of the sea and land from their workshop windows. No building disturbs their view. During summer, the pictures portray the family eating freshly picked vegetables and fruits, which probably come from their kitchen garden. The island landscape significantly influences their life and the company. Both Chris and Sydney Seggie say that they sincerely enjoy their surroundings and that this would be a reason they attach the image of the place which documents their lives via social media.

One of the pictures on their social media shows a landscape covered in snow, which can be seen from the workshop window. In front of the window, Chris Seggie is making made-to-order sunglasses. In most internet business transactions, customer and manufacturer are not known to each other. However, Fellow Earthlings' social media demonstrates how they make eyewear and how their family enjoys the blessings of nature on the island and on the Earth. In spring, their web site shows pictures of strawberry-red-sunglasses with fresh strawberries or navy coloured frames with blueberries. These images inspire their eyewear products. Another picture depicts their child standing on 'the Earth' and looking toward sky, sea, and beach. Their family, neighbours, friends, the islanders, and the customers who sent them pictures of themselves wearing Fellow Earthlings sunglasses from all over the world are all 'Fellow

Earthlings.’

When a customer wants to order via Fellow Earthlings’ internet site, he/she might feel that it is a little difficult to imagine what his/her sunglasses would look like. Both Fellow Earthlings Instagram and Twitter sites demonstrate several types and combinations of sunglasses and photographs which have been sent from various countries around the world of people wearing Fellow Earthlings sunglasses. Moreover, these social sites can communicate both with the viewer and with the administrator of the site, and the viewers are able to ask the administrator of Fellow Earthlings social media sites for more detailed information about these sunglasses. This implies that no matter the geographical distance between the manufacturer and the customer, social media and e-mail correspondence make communication and interaction easy. Sydney Seggie insists, “Normally in the past, people have had to base themselves in larger cities to find their customer and to have a larger market base. But now, with online selling and working with international customers on both retail and brand, this doesn’t have to be any more and it is more interesting to those people that we are on a small island in Canada.”

The opportunities of doing business on the island are also rooted in the history of the island, demonstrated by the social media pictures of old machines, with comments, “This is one of our favourite machines! It came out of the old eyewear factory that used to be on the island”

(Fellow Earthlings, 2016).

It is not well-known in island history, but there were eyewear factories in Charlottetown. One of the companies had over 100 employees during the height of its prosperity, from the end of the 1970s to the middle of the 1990s. Sydney Seggie insists that P.E.I. has as significant a history of eyewear production as does Ontario. In a CBC interview, Sydney Seggie points out, “For example the leather-covered Ray[-]Bans and stuff that you see vintage today that are so coveted—they were actually all hand made on P.E.I.” (“Guernsey Cove basement home to eyewear,” 2015, para. 11). Sydney Seggie states that “That company brought craftsmen here and they stayed because they also loved P.E.I.” Chris Seggie continues that another English eyewear maker was on P.E.I. and invited craftsmen to come and they never really left. They could not get the island off their mind and they quit their jobs at home and moved to P.E.I. Both address the fact that P.E.I. has an eyewear history and its legacy is embodied in the old eyewear machine in their workshop.

One of the eyewear companies was established in the middle of the 1970s on P.E.I. (registered in 1978 and started production in 1979) by Peter G. and Maureen Leunes (P.E.I. Department of Justice, 2016; Wells, 1983, p. 7, p. 9). Peter Leunes was born the son of a Greek-American restaurateur in Pennsylvania, U.S.A., then became involved in the leather

business in Mexico, and came to P.E.I. in 1975 (Bruce, 1991, n.p.). He and his wife initially started a business in downtown Charlottetown, then moved their factory to West Royalty Industrial Park, Charlottetown, P.E.I. (Innes et al., 1986, pp. 331-332). The name of the company was Tannereye Ltd., which manufactured attached thin leather coated eyeglass frames and its main customer was Bausch & Lomb which sold Ray-Ban sunglasses at that time (Ray-Ban brand was sold to Luxottica in 1999) (Watson, 1992, p. 3; Luxottica, 2016, p. 3). Tannereye Ltd. started its business when Leunes made samples of leather-covered eyeglass frames and sent them to Bausch & Lomb (Alberstat, 1989, p. 19). One of the local P.E.I. newspapers, *The Guardian* reported in 1983 that Tannereye Ltd., which manufactured high fashion sunglasses and optical frames, won the Canada-Export Award from among 250 applicants (“Tannereye gets award,” 1983, n.p.). The next year, according to another local newspaper *The Journal-Pioneer*, 75% of Tannereye’s eye frames were shipped to the U.S.A.—the biggest customer of Tannereye Ltd. was Bausch & Lomb in the U.S.A.—and most of them were resold from the U.S.A. to Middle Eastern countries (Stewart, 1984, n.p.; Watson, 1992, n.p.). In 1989, Tannereye Ltd was the fifth largest company on P.E.I., with CAD\$2,500,000 in sales, next in sales to Maritime Electric Company Ltd., Island Telephone Co. Ltd, Amalgamated Dairies Limited (ADL), and McKenna Brothers Ltd. (Doehler, et al., 1989, p. 12).

Before 1992, the company diversified into leather coated animal and fish figurines and watch bands (Bruce, 1991, n.p.). However, after Peter Leunes passed away—the exact year is unknown, but he died before 1998, the company was sold to Chateau Leather, a company owned by one of Tannereye Ltd. employees around the middle of the 1990s (Ryder, 1998, p. A4). Nevertheless, from the 1970s to the 1990s, an eyewear company existed and flourished on P.E.I., and its legacy remains.

Compared to the opportunities of doing business on the island, Chris and Sydney Seggie do not yet perceived any disadvantages. When they were in large cities, Sydney Seggie could go and do sales herself and the big cities were more convenient, but, other than this, they perceive everything else in terms of the benefits of being on P.E.I. As discussed in Chapter 2, the two obstacles of doing business on the island, especially P.E.I., are the cost of transportation for off-island—the heavier and/or more bulky the freight, the more the transportation costs become a burden—and the fluctuation of currency rates for exporting their products and importing their materials. For companies which manufacture bulky and heavy products, the cost of transportation off-island is challenging and imposes a significant burden. However, this does not apply to Fellow Earthlings. The fluctuation of currency is also not applicable to them, because Fellow Earthlings' business is conducted in Canadian dollars and payment for raw

materials and design work for fashion shows and prototypes is in U.S. dollars. If the U.S. dollar depreciates, there is a possibility of smaller orders from U.S. customers, but as far as buying raw materials in U.S. dollars, the price of raw materials becomes cheaper. For these reasons, Fellow Earthlings are less influenced by fluctuations of currency.

Their business model is not only targeted to a niche market. It also involves solutions to their possible challenges, transportation costs for off-island and the remoteness of large markets. The remoteness from markets is solved by using the internet site and drawbacks via internet business are overcome by their experience and past contacts. In the present day, the internet is indispensable for island business, including Fellow Earthlings. It is essential for inquiries, from prospective customers, to accepting orders, designing new sunglasses and sending high resolution images to clients, to updating social media and for the frequent dispatching of information, and prompt correspondence with followers on their social media.

However, the internet speed on the island does present somewhat of an obstacle for their business. They confess that they have bad internet speed. When they first moved to Murray Harbour and Guernsey Cove, they did not even have Wi-Fi and they had to use a 3G device. There was a promise from the provincial government for all parts of P.E.I. to be on broadband by 2014 for business reasons, but there were a few places that did not have broadband capability at

the time, including Guernsey Cove. Around six months after they moved to Guernsey Cove, the internet company put broadband in the ground for everyone, but the speed was still very slow. Fellow Earthlings need high-speed internet for their business and to facilitate the downloading of large digital files for their business. If they were in Halifax, the improved internet speed there would generally help their business. However, here in Guernsey Cove, when Chris Seggie had to send 2GB of high-resolution images to the photographer to edit, it took twelve hours, and failed near the end. So he did it again overnight. Throughout that whole period, the whole internet at their house and workshop slowed down.

Chris and Sydney Seggie started their business using their own savings and Sydney Seggie states that “We are able to finance it ourselves and so we are able to maintain that” because banks are not supportive of entrepreneurs who have been out of their country for a length of time. But Eastern PEI Chamber of Commerce in Montague is very supportive and willing to offer them support. Chris Seggie states:

We spoke to the representative of the Eastern PEI Chamber of Commerce quite a few times and he is excited about our business. They are willing to offer us a few different programs for both exporting and manufacturing because our business falls into both

categories. But we have been hesitant. We just haven't done any of these programs because we have been...mostly because of our kids, and we have slowly grown to this size, and are quite pleased we have done it on our own without the government.

Overall, in the case of Fellow Earthlings, the owners are convinced that the opportunities for doing business on the island are greater than the challenges.

3.8 Future Dreams

Fellow Earthlings' primary objective is to update their website and show the variety of product combinations they create. Because the majority of their customers are fashion purchasers, Fellow Earthlings tries to show as many images as possible on their social media or their website of other people wearing their sunglasses and they hope this will give people an idea of how the sunglasses would look on the customer.

They hope to build a guest house in the future, in order to be able to spend a few days a week or so focusing on design and making prototypes with fashion designers for new sunglasses. Instead of developing new designs over several months, they and the designer would work face-to-face for an intensive design week within a short period of time. Fellow Earthlings

caters to designers who want to high quality products, shorter lead times, and who need smaller quantities because their company is geared to these criteria.

3.9 Conclusion

Fellow Earthlings' two entrepreneurs found niche markets via their international experiences in eyewear industry. Through their jobs in Hong Kong and London, they discovered a niche market where a small amount of eyewear could be produced to conform to a fashion designer's vision and where such eyewear could be finished within a short lead time. This was an area for which big eyewear companies hesitated to manufacture and Chris and Sydney Seggie learned this first-hand.

The opportunities of doing business on the island are the low cost of land and property, the quality-of-life, and the island's history of eyewear industry. One of the challenges for their island business is the remoteness of the location, which was solved by developing their online business and by showing live pictures of their attachment to island life to their social media viewers. Their business model overcomes other challenges of doing business on the island, including higher off-island transportation costs and the fluctuation of currencies. The sunglasses made by Fellow Earthlings are easily transported off-island because of their lightweight and the

fluctuations in U.S. and Canadian dollars serve as advantages for their business model.

Fellow Earthlings' first priority was off-island business and/or the export market because they knew that the island market is relatively small for their high-end sunglasses. They have developed and focused on their niche market and niche products. In their case, this did not start with manufacturing niche products, but with first finding niche markets and creating the right products geared towards these markets.

4. Case Study: Island Abbey Foods Ltd.

4.1 Introduction: Here and There



honibe® Honey Drop™ and honibe® honey lozenges™ are manufacture by Island Abbey Foods Ltd.

Photo by the author

In drugstores, supermarkets, convenience stores, the Charlottetown airport coffee shop, and even in souvenir shops on P.E.I., people can easily find honibe® products which are manufactured by Island Abbey Foods Ltd. Honibe® honey lozenges™, featuring two flavours, lemon and cherry, as well as no flavor-added honey and immune boost lozenges, all consist of between 99.5%-97% pure dried honey. Another product, hexagon-shaped honibe® Honey Drop™, is 100% pure dehydrated honey and is used to put into hot beverages. These and other Island Abbey Foods Ltd. products discussed later in this article are all honibe® products, based on a ‘unique technology’⁷ of Island Abbey Foods Ltd., which changes liquid honey into solid cubes. No other company in the world has this technology.

⁷ For a definition of unique technology, see Chapter 2.

Honey is neither a P.E.I. special brand nor an example of brand consolidation⁸ compared to potatoes, lobsters, and mussels. According to the latest statistics, 45 bee-keepers existed on the island in 2014 (Government of Canada, 2016e, p. 2) and customers can buy local honey at the island's supermarkets and farmers' markets. As one of the apiarists states, the reason they moved to P.E.I. is that "there were fewer bee-keepers here [on P.E.I.]" and "less competition from existing hives" (Baldacchino & McAndrew, 2008, p. 22). Data supports this claim in that Ontario (3,262 bee-keepers) and British Columbia (2,405 bee-keepers) were the top two bee-keeping provinces in 2014 (Government of Canada, 2016e, p. 2). Statistics today also show that total honey production by province in Canada ranks Alberta (42%) in first place, followed by Saskatchewan (20%), Manitoba (17%), Quebec (4.6%), with the second lowest total honey production⁹ province being P.E.I. (0.19%) (Government of Canada, 2016e, p. 5). It is, therefore, possible to say that honey on P.E.I. is not the subject of brand consolidation. However, ironically, for most inhabitants of P.E.I., honibe[®] products are well-known.

This chapter will explore the following questions. How did the entrepreneur of Island Abbey Foods Ltd. get the idea for such a niche product? What were the opportunities and

⁸ Definition of brand consolidation is Chapter 2.

⁹ Newfoundland and Labrador has no honey production to report.

challenges of doing business on the island? How did unique technology and the products' portability and weight relate to the challenges and opportunities of island business?

4.2 The Eureka Moment: The Idea for Making Solid Honey

John Rowe, co-founder and CEO of Island Abbey Foods Ltd., was born in Montague, Prince Edward Island. His family has been involved in farming, fishing, and retail for 200 years and are sixth generation islanders (Pitts, 2012, para. 6). After he graduated from Montague Regional High School, he moved to Quebec to enter Bishop's University, majoring in political economy and minoring in music (McPhail, 2011, p. 13). He graduated in 1995 (McPhail, 2011, p. 13) and went to Vancouver to work in the technology sector.

While he was staying in Vancouver, the idea of making solid honey came to his mind. John Rowe has told this story many times and the famous anecdote has been reported in the media. The idea of solid honey was born when he went hiking in the mountains with his friends in Whistler, British Colombia: "It took us most of the day. I [John Rowe] arrived at the camp site, opened up my back pack, and discovered my glass jar of honey had shattered" and that honey was all over his tent and clothing, and everything inside. "I immediately thought to myself 'am I in bear country?'"(Conter, 2010, para. 1; honibe[®], 2012; MacAndrew, 2011, para.

3; Moreira, 2014a, para 8). Then, “As he [John Rowe] cleaned up the mess, something occurred to him—why don’t I invent a safer way of transporting honey around by solidifying it? I [John Rowe] had an idea for a honey cube” (Stewart, 2011, p. B7). This was in 1996 (Pitts, 2012, para. 3).

After he came back home to Vancouver, he researched solid all-natural honey. He found honey-flavoured candies and lozenges made with sugar that already existed on the market (MacKay, 2010, p. B7). However, there were no solid pure honey cubes at this time. If he succeeded in creating a honey cube, it would become an innovative product in the global market. This is the ‘eureka’ moment when he found a potential for a niche product and, as Baldacchino claims, “Competing on the global playing field by niching both products and/or services as well as the terms of their trade is...[a] viable strategy” (Baldacchino, 2000b, p. 75).

How did John Rowe come to the business of making solid honey on P.E.I.? From 2001 to 2004, he started a computer business as an entrepreneur in Texas, U.S.A. Unfortunately, he started this business just before the September 11th attacks and stated that during his time in Texas “I spent three years trying to get that business off the ground. I ultimately had to close it. But that gave me the opportunity to come home to relax” (Pitts, 2012, para. 8). He came back to

his hometown in P.E.I. in 2004 and established Island Abbey Foods¹⁰ (MacKay, 2010, p. B7; Chisholm, 2010, p. A4). He first tried to change the sweet, sticky, golden liquid into solid, portable, honey cubes in the basement of his home (Carson, 2013, p. A3). He describes it as a difficult job to do by himself. He visited supporting organizations for entrepreneurs on the island and “took his idea to the Food Technology Centre” (Thibodeau, 2010a, p. A2), now BIO|FOOD|TECH, which is located in Charlottetown. The P.E.I Food Technology Centre contributed to the technology of dehydrating the honey, cooperating with Island Abbey Foods Ltd. in co-developing the solid honey cubes from 2004 (“Honibe™ introduces Honey Delights™: The world’s first 100% pure honey candy,” 2009, para. 4). John Rowe also contacted the “National Research Centre Institute for Nutrisciences and Health to take prototypes from the initial concept to the launch of their first product line” (Carson, 2013, p. A3).

Before John Rowe made his first solid honey cubes, he approached three organizations in Charlottetown, P.E.I.: National Research Council Institute for Nutrisciences and Health, P.E.I. Food Technology Centre (now BIO|FOOD|TECH), and BioAlliance (one of the research partners of P.E.I. Food Technology Centre). All three organizations played incubating roles for

¹⁰ The name of the company at that time was Island Abbey Food (sole proprietorship: Prince Edward Island Department of Justice and Public Safety: Corporate/Business Names Registry). In 2007, Island Abbey Foods became Island Abbey Foods Ltd. (Government of Canada, Innovation, Science and Economic Development Canada). In this thesis, except in this footnote, Island Abbey Foods Ltd. will be used to refer to the from its inception in 2004.

Island Abbey Food Ltd. Finally, in 2008, a new product was born, named honibe[®] Honey Drop[™].

4.3 Unique Technology and Portability of Products

Island Abbey Foods Ltd. has released two innovative products since January 2008 (MacKay, 2010, p. B7). One is the honibe[®] Honey Drop[™], which is an all-natural, hexagonal-shaped solid honey that can be put into tea, coffee, or hot water as a sugar sweetener substitute. Another is honibe[®] honey delights[™], which are 100% pure round-shaped honey candies¹¹. Honibe[®] Honey Drop[™] and honibe[®] honey delights[™], registered under the brand name ‘honibe[®],’ are unique, niche products that are not diluted of honey’s original and natural colour, taste, and smell. The significance of innovative solid honey was immediately understood by a honey titan in Europe, exemplified by the fact that one day John Rowe got an unexpected congratulatory international phone call on Island Abbey Foods Ltd.’s new solid honey products from this German honey dynasty who had been in the honey business for over 400 years (Lazarus & Sonya, 2012, pp. 63-64).

Honibe[®] created the possibility of bringing honey anywhere—a portable honey—and

¹¹ In this chapter, the product names are named according to Island Abbey Foods Ltd.’ homepage in 2016, “our product,” therefore, except honibe[®] Honey Drop[™], other products names are lower cases, such as honibe[®] honey delights[™] and honibe[®] honey lozenges[™].

patented the technology of changing liquid honey into solid cubes. This technology is protected by a patent (Canadian Patent No. 2649936, 2010; U.S. Patent No. 20120034309 A1), meaning no company can imitate or make copied products. These two features—portability and protected by a patent—have noteworthy meaning. Portable honey is innovative because it expands the places where one can take honey: into the mountains or sports centers, and even into libraries—the possibilities are countless. In addition, the technology of changing liquid honey into solid cubes has its own infinite possibilities: this technology made possible the making of honey cubes with lemon flavour, with vitamins, with eucalyptus, and the technology can also change maple syrup, as well as altering liquid medicine, into solid cubes. All these products have been commercialized by Island Abbey Foods Ltd. from 2008 to the present (see below).

There was no solid cubed honey in the world until 2007 and the technology has been protected by patents. This means that no competitor can imitate the products; and there are few competitors for price because no comparable products with these singular characteristics exist in the world so far. As far as a reasonable price for both consumers and the manufacturer, with the portability and light-commodity characteristics, this product overcomes one of the economic challenges for islands, the relatively high price of made-in-island products, along with the high transportation prices for export and import. In 2014 honibe[®] Honey Drop[™] was selling in retail

shops on P.E.I. for CAN\$4.99 (honibe® site's internet price is CAN\$6.49 in 2016), per 60 grammes, and included 12 pieces of dehydrated honey. Honibe® honey delights™ were selling for CAN\$7 (honibe® site's internet price is CAN\$5.99 in 2016; honibe® product, n.p.) per 52 grammes in retail shops on P.E.I. in 2014 and included 20 pieces. The lightest products among honibe® are the honibe® honey lozenges™ which were selling at variable prices in retail shops on P.E.I. (honibe® site price for CAN\$ 5.99, per 35 grammes, and included 10 pieces of throat lozenges). Compared to honibe® Honey Drop™ and Honibe® honey delights™, honibe® honey lozenges™ are more compact in size (a package is 10.8cm length, 6.7cm width, and 0.8cm deep). The lightweight and the commodities' portability are an high advantage when these products are transported off the island. The products' lightweight, portability, and price overcome several economic challenges of island businesses, which means the products themselves include factors which minimize island economic challenges.

4.4 Fundraising (1): Personal Funds

Four years after John Rowe established Island Abbey Foods and over ten years after his eureka moment for a solid, honey candy, he finally made his products. However, a question remains. How did he raise funds for his innovative products; especially, since these innovative

products needed Research and Development (R&D) funds? A source of money for research and development came from John Rowe's savings, his other jobs, and from his patents on software. As I describe later in this section, when John Rowe appeared on the CBC television program, *Dragons' Den*, he said that—"over \$1.1 million of my own money is invested" (TheDragonDenn, 2013) and, as Casey claims, John Rowe "has largely self-funded their [Island Abbey Foods Ltd.] company's growth to the tune of \$1 million" (Casey, 2012, para. 10).

He later stated that, when they started their business, Island Abbey Foods Ltd. was a husband-and-wife team, CEO and CFO respectively. The CEO and CFO of Island Abbey Foods Ltd. also had other jobs to support their finances. John Rowe kept another job even after he succeeded with growing his business. When he and his wife, Susan, established Island Abbey Foods Ltd., he was working with the Timeless Group of companies on P.E.I., which specialized in IT industry and "health care technology" (later he became president of Timeless Group) (McPhail, 2011, p. 13). One of the Timeless Group companies, Timeless Technologies, made company website homepages on P.E.I., for such companies as Cows ice cream and Anne of Green Gables Chocolates (Cows Incorporated), Oak Acres Charity Golf, Island Abbey Foods Ltd., and so on ("The Stuff We Make," 2016). Island Abbey Foods Ltd. has utilized their homepage effectively for advertising new products, press releases, YouTube videos, and social

media, such as Twitter, Facebook, Instagram, and Pinterest.

I could not establish through my research whether Island Abbey Foods Ltd. received funding from the P.E.I. Food Product Development Fund but P.E.I. Food Technology Centre (BIO|FOOD|TECH) does have a funding program for P.E.I. companies which manufacture food or deal with bioprocessing and bioscience. The fund contributes 50% of project costs to a maximum contribution of \$50,000 (“Funding Programs,” 2016, para. 4).

At the beginning of Island Abbey Foods Ltd.’s business history, selling a brand-new product was not easy. Most retailers did not want to deal directly with a small manufacturer such as Island Abbey Foods Ltd. at that time, especially with a company with which they were not familiar (Raymond, 2014, p. 6). It is also common for many small new companies to be disadvantaged by insufficient advertising budgets. However, Island Abbey Foods Ltd. persisted and advertised its new products to the public, retailers, and distributors by “word-of-mouth, and marketing communications with social media” (Raymond, 2014, p. 12). They sent samples to magazine companies and when these companies featured honibe[®], this became an advertisement for Island Abbey Foods Ltd. (“The Buzz News & Review,” 2014). By 2010, Island Abbey Foods Ltd. had a full-line strategy, and increased its product lines to include honibe[®] Honey Drop[™], honibe[®] Honey Drop[™] with lemon, honibe[®] honey delights[™], and honibe[®] honey

delights[™] with lemon, honibe[®] honey lozenges[™], honibe[®] honey lozenges[™] lemon, and honibe[®] honey sprinklers[™] (powdered honey that is poured into a shaker bottle, or used for baking desserts) (Allan, 2010, p. 74).

However, in selling their honibe[®] products exclusively within P.E.I., Island Abbey Foods Ltd. would have encountered the limited domestic market on the island, so they looked for other options and succeeded in distributing throughout Canada, shipping products to 1,000 retail outlets across Canada (Casey, 2012, para. 5). In 2009 they secured a retail agreement with Safeway, which had 217 shops in Canada at that time (“P.E.I. firm, Safeway stores come to terms on Honey Drop deal,” 2009, p. B6). Because Island Abbey Foods Ltd.’s products apply to the category of natural food—pure honey—they also secured a distribution agreement with ‘Tree of Life’ in Canada and in the U.S.A., a company which sells “natural, organic, specialty, ethnic, and gourmet food products” (“P.E.I. product plans national distribution,” 2009, p. B6; “Island company signs honey of a deal,” 2009, p. A12; “Honey Drop now distributed across US by Tree of Life,” 2009, p. A13). Before John Rowe and his younger brother appeared for an audition on the *Dragons’ Den* television show in May 2010, Island Abbey Foods Ltd. had established several product lines and these products had already shipped off the island.

The Food Technology Centre gave support to the development of the dehydration process

as well as providing the factory space to manufacture the honibe[®] products from 2004. In 2009, Island Abbey Foods graduated from the Food Technology Centre's incubation factory and moved to their own manufacturing facility with a warehouse and office space because warehouse and office space were not available in the Food Technology Centre ("PEI Product Wins SIAL d'Or 2010 Award," 2010, para. 4; Raymond, 2014, p. 3). About the same time as this graduation from the Food Technology Centre, Island Abbey Foods Ltd. moved to Watts Avenue in West Royalty Industrial Park in Charlottetown (Stewart, 2013, p. E8). A full-line strategy for products and a new property with a warehouse and in-house laboratory for product testing and development were set up, as John Rowe stated regarding their turnover, "our first full year 2009, we had [CAD\$] 650,000 sales" (TheDragonDenn, 2013; "John Rowe of Island Abbey Foods awarded Premier's Medal for innovation," 2011a, para. 11). The U.S.A., a huge market, was the next target for Island Abbey Foods Ltd.

4.5 Fundraising (2): Appearance on *Dragons' Den*

When they were considering expanding their business into the U.S.A., John Rowe and his younger brother, Justin, who entered Island Abbey Foods Ltd. in 2008 as Vice President of sales at that time, were thinking about applying for an audition on the popular CBC television

show, *Dragons' Den*, to raise funds for their company. On this show, applicants who have new business ideas do a presentation in front of five investors who are called the Dragons. If the entrepreneurs' ideas do not impress the investors, the investors refuse to invest money. On the contrary, if the investors admire the entrepreneurs' ideas or products, they invest and receive a shareholder percentage. Island Abbey Foods Ltd.'s appearance on *Dragons' Den* offered advantages and risks: applicants get a chance for fundraising, but if the Dragons refuse to invest, applicants could lose face. Besides, in many cases, the Dragons want as much as fifty percent of a company's holdings and this means reducing entrepreneurs' autonomy in decision making.

Nevertheless, the brothers would have understood these risks, being familiar with the *Dragons' Den*'s television program before they applied to be on the show. John Rowe heard that the show would be coming to Charlottetown for auditions in May, 2010 (Honibe[®], 2012). John Rowe states that "we watched it for years. I love the show" and "my brother and I researched the opportunity for literally months" (Honibe[®], 2012). John Rowe told a newspaper reporter after their program was broadcasted on January, 2011 that "John Rowe would love to partner with *Dragons' Den* panelist Jim Treliving, a co-chairman and a co-owner of Boston Pizza, calling him a legend in the food industry. He was our target." (Stewart, 2011, p. B7; "Company information," 2014, para. 2; "Company History," 2016, p. 1).

In May 2010, they appeared for their audition with black suits and yellow ties, the symbolic colour of bees, accompanied by two young females who wore bee costumes. When John and his brother Justin Rowe appeared in front of the Dragons, many of the Dragons already knew who John Rowe was and what their products were, because, before their appearance on *Dragons' Den*, their company was shipping honibe[®] across Canada. During the 90 minutes recording of the show (Stewart, 2011, p. B7: the broadcast was eventually cut to about 8 minutes), Justin Rowe explained that “we had over 75,000 visitors to our website the first couple of weeks and we were featured in over 20 major magazines during our first year” (TheDragonDenn, 2013). In this section, the conversation between the Dragons and the Rowes is based on a YouTube video of the show (see reference Audiovisual Media).

John Rowe's original request was for one million Canadian dollars and an equity stake of 20%. The Dragon's final offer was \$600,000 in cash, \$400,000 in line of credit, and an equity stake of 35% (“Dragons' Den offer \$1M deal to P.E.I. company,” 2011, para. 3), and the deal was made accordingly at that time.

Through the conversation and negotiations between the Rowes and the Dragons on the show, I would like to draw attention to three important points (all the Dragons' remarks are made anonymous intentionally in this thesis). Firstly, concerning one of the Dragons' comments, “I

love the whole stake on the technology, but at the end of the day, you are a food company,” John Rowe contradicted this, stating “We have not only a food company but an opportunity to license its technology to manufacturers around the world, in a variety of markets” (TheDragonDenn, 2013), recognizing that ‘only a food company’ misunderstands the essence of the company, because the company’s assets include intangible assets such as the special technologies and license fee.

Secondly, related to the Dragons initial offer of fifty percent of the company’s holding, another Dragon advised John and Justin that “When I start a business, I like to keep as much equity as long as possible. [If] I were you, I would not take eight hundred thousand dollars for fifty percent of my business but simply keep growing the way you are.... They [John and Justin] have so many ways that they could do this without you guys [the Dragons] and just giving up that kind of equity today, just makes no sense to me.” This “Dragon’s” comment suggests that they should pursue their ways without outside investors and keep the company growing “the way you are.” Subsequently, after recording the show, they continued their business without any Dragons’ financial support. Around 2012, John Rowe “politely declined the Dragons’ offer” (Casey, 2012, para. 4), even though he and the Dragons “kept in touch” over the following year (Quigley, 2012, p. A7). Worth noting is that out of the five Dragons, only one Dragon did not

agree to invest although his comments show that he did not underestimate the company's value.

Thirdly, after filming the audition, John Rowe stated in front of a television camera, "It was the right time for our family business to take it to the next step to celebrate growth as we're expanding into some new markets [in the U.S. market]." Indeed, at the beginning, Island Abbey Foods Ltd. started with John and his wife, and after some time, two brothers and one of his sisters entered the company. When the business got very busy, John Rowe "pulled [his] parents out of retirement several times to help with the factory" (Carson, 2013, p. A3). Inviting outside financial sources implies a loss of family control and, at least from 2012, Island Abbey Foods Ltd. has had outside investors and directors, although they were not the Dragons (Pitts, 2012, para. 21; Government of Canada Innovation, Science and Economic Development Canada, 2016., n.p.).

4.6 Towards the Global World

During the seven months from the day of auditioning on the *Dragons' Den* (May 2010) to the airing of the show (January 2011), Island Abbey Foods Ltd.'s products won world famous prizes. The honibe[®] Honey Drop[™] became the Global SIAL¹² d'Or Winner 2010 for the best

¹² Salon International de l'Alimentation (SIAL)

new food product in the world on October 2010, and the honibe[®] Honey Drop[™] was also named the best new product in the ‘Grocery Sweet 2010’ and best of Canada ‘Country Award’ 2010 categories (Government of Canada, 2010, para. 3). The Global SIAL d’Or awards status is like the Oscars of the food industry and more than 1,500 journalists were sent to cover the award (“Honibe Honey Drop winds Global SIAL d’Or award,” 2010, p. 15; “Island firm wins international award,” 2010, p. A12).

In October 2010, before the broadcasting of the *Dragons’ Den* episode, Island Abbey Foods Ltd. got a chance to enter the American market through a distributor of Dutch Gold Honey Inc. For this contract, the products of Island Abbey Foods Ltd. could be supplied through the distribution network of Dutch Gold Honey Inc., a leader in the honey industry in the U.S.A. (Allan, 2010, p. 74; “Island Innovator Wins Food ‘Oscar,’” 2010, p. 1; “Island Abbey Foods Ltd partners with Dutch Gold Honey for product collaboration,” 2010, para. 1-3). Island Abbey Foods Ltd. continued to manufacture all products on P.E.I. while Dutch Gold took over sales and distribution of the co-produced brands (Rhyno, 2011, p. 93).

Receiving high reputation prizes and appearing on the *Dragons’ Den* television had a huge influence on the standing of the company and its products. The result was that “honibe’s website got 30,000 visits in the 24 hours after the eight minute *Dragons’ Den* broadcast in

January 2011, compared to 6,000 per month previously. The number of retailers that sold the product, meanwhile, doubled” (Tong, 2012, p. 15), and as John Rowe pointed out in an interview, “We didn’t have the marketing budget of Kraft, Unilever, or P&G,” but “The show...[gave] our brand unparalleled exposure” (Tong, 2012, p. 15). The advertising effect of the television show was enormous and effectively influenced sales. Consequently, the most impactful meaning of *Dragons’ Den* for Island Abbey Foods Ltd. was in its advertising effect.

Island Abbey Foods Ltd. expanded distribution widely across Canada in 2012. The company’s product became available for purchase at Pharmasave (“Honibe Honey Lozenges now available in Pharmasave locations across country,” 2012, p. B6), Sobeys and Lawton Drugs (“Island Abbey Foods Ltd. announces collaboration deal with Sobeys Inc.,” 2012, p. B10), the 900 shops of Shoppers Drug Mart, and Pharmaprix in Quebec (“Honibe Honey Lozenges to be sold at Shoppers Drug Mart,” 2012, p. B9), 280 Jean Coutu stores in Quebec and New Brunswick (“Island Abbey Foods announces first introduction into French Canada,” 2012, p. A12). In 2014, Island Abbey Foods products were selling in 5,000 retail outlets across Canada (Moreira, 2014b, p. B5).

While expanding distribution networks within the domestic market, Island Abbey Foods Ltd. also spread its product globally. In a recent interview, John Rowe stated that he “began

thinking about exporting right from the start” (Asia Pacific Foundation of Canada, 2016, p. 1) and Island Abbey Foods Ltd. has used several export strategies. One is selling directly all over the world via the internet from its honibe[®] site and local language honibe[®] sites since the beginning of establishing the company (“honibe[®] Product,” 2016, n.p.; “Honey Drop,” 2008, para. 1). Another is co-brand partnerships, which includes having Island Abbey Foods Ltd.’s company name alongside their partner company name and has the advantage of using the partner companies’ name values and distribution networks in the applicable export markets. By using the foreign companies’ brands and distribution networks, Island Abbey Foods Ltd. is selling its products in foreign countries, while simultaneously, “mitigat[ing] risks and lower[ing] the cost of entering a new market” (Raymond, 2014, p. 2). These co-brand partnerships were with Orion Corporation in Finland (“Honibe lozenges making their way to Finland,” 2013, p. A4), Gifrer in France (“Island Abbey Foods Ltd.TM announces partnership with leading French Pharmaceutical Company Gifrer,” 2014, para. 1), Cinfa in Spain, Zarbee’s in the U.S.A., Comvita Ltd. in New Zealand, and Sato Pharmaceutical Co. Ltd. in Japan (“Our Partnerships,” 2016, n.p.).

In 2011, Island Abbey Foods Ltd. was exporting to eight countries (“John Rowe of Island Abbey Foods awarded Premier’s Medal for innovation,” 2011a, para. 6); by 2014 exporting had expanded to 20 countries (Raymond, 2014, p. 1), and in 2015 the company exported to between

35 and 40 countries (Moreira, 2015, para. 7). John Rowe states that, from 2009 to 2013, three-quarters of sales came from Canada and while Island Abbey Foods Ltd.'s Canadian sales continue to grow, in 2014 the ratio between domestic sales and export sales were half and half, with export sales surpassing the domestic market sales in 2015 (Moreira, 2015, para. 2).

With expansion into the world market, the number of employees also increased from twenty fulltime employees and ten part-time in 2010 (MacKay, 2010, p. B7) to over fifty employees in 2015. Approximately half the employees are in charge of production and about twenty-five employees are responsible for “sales, marketing, research, operations management, customer service, and general management” (Raymond, 2014, p. 7; “A sweet career choice,” 2015, p. 7). In 2016, the number of employees is closer to 80 (“Gummie game changer,” 2016, p. A1, A2).

Island Abbey Foods Ltd. has introduced new products for sale one after another, such as, island maple delights™, island maple lozenges™, PurAgave Agave Delights™, PurAgave Agave Lozenges™ (released in 2013), and honibe® Honey Gummies in 2015. Agave's nectar is known as one of the raw materials for tequila and is called “honey water” in Mexico, effective as an antioxidant, anti-microbial and anti-bacterial agent (Stewart, 2013, p. E8). This liquid agave is imported from Mexico (Stewart, 2013, p. E8). As mentioned in Chapter 2, the North American

Free Trade Agreement (NAFTA) reduces tariffs and duties for exporting and importing products from and to Mexico, so NAFTA is an advantage for the company.

The products of Island Abbey Foods Ltd. have even expanded beyond the physical world, and have been chosen to be launched into space. In August 2012, the Canadian Space Agency selected honibe[®] Honey Drop[™] as one of the official Canadian Space Agency Snacks for Space and honibe[®] Honey Drop[™] went to the International Space Station with Canadian Commander Chris Hadfield in December 2012 (“Island Abbey Foods announces first introduction into French Canada,” 2012, p. A12; “Island Abbey Foods announces world’s first vitamins in pure dried honey form,” 2013, p. A12; “Honibe[®] Honey Drop[™] chosen as a ‘snack for space’ by the Canadian Space Agency,” 2012, p. 76). Honibe[®]’s trip to space started when “one of the staff members [of Island Abbey Foods Ltd.] heard about a Snacks for Space contest in 2011 and they applied; Island Abbey was chosen one of 12 winners out of 150 applicants from across the country” (Stewart, 2013, p. E8). The commodities’ exemplary portability was a key factor in making it possible for honibe[®] Honey Drop[™] to go beyond the Earth and truly become “out of this world.”

4.7 Opportunities and Challenges on the Island

John Rowe believes that “there are far greater opportunities for entrepreneurs to start up here on P.E.I. than there are elsewhere. I am a living, breathing example of it” (Pound, 2012, para. 9). The above mentioned support organization for bioscience in Charlottetown, the relatively flat and accessible political organization on the island, the close relationship among the islanders, the location of P.E.I., and the subsidies from the government are opportunities and advantages for him and his company. John Rowe notes “I have lived across Canada and the U.S. and I have had fewer barriers to getting a business off the ground here than elsewhere. It is a lot cheaper to do business here [P.E.I.] than most people realize” (Pitts, 2010, para. 25). In addition, he states that “P.E.I. has some unique competitive advantages. We are not in competition with one another because we are all working on unique, new, interesting, and innovative things” (Dover, 2013). Warren & Enoch point out that, compared to large countries, island political structures are fairly flat in small island jurisdictions (Warren & Enoch, 2010, p. 196). John Rowe recognizes the fairly flat political organizations on P.E.I., and states, “I had an employer in Vancouver who tried for three years to see the Premier about a business venture...here that could take three days” (Sharratt, 2011, p. B7). He also discusses the advantage of location of the island: “I can ship a container of product from my loading dock to

California in four days; I can put it on a freighter in Halifax and get it to Britain in five days. It's just as cheap as when I lived in Dallas and shipped internationally from there" (Pitts, 2012, para. 25).

In addition, Island Abbey Foods Ltd. received subsidies from the P.E.I. provincial government. For instance, John Rowe was awarded the Premier's Medal for Innovation program, and for this prize, Island Abbey Foods Ltd. was "eligible to receive \$400,000 [as award] over the next two years to continue to develop pure honey-based products under the Honibe brand" ("John Rowe of Island Abbey Foods awarded Premier's Medal for Innovation," 2011b, p. A9; "Island Abbey Foods celebrates official opening of new facility at Biocommons Research Park," 2012, para. 5). Additionally, "Agriculture and Agri-Food Canada invested CAN\$473,000" to expand operations "to allow Island Abbey Foods [Ltd.] to get a greater foothold into international markets" (Thidodeau, 2010a, p. A2).

For John Rowe, there seems to be no difficulty or handicap doing business on the island. Walker, who interviewed John Rowe a number of times, once asked "if he [John Rowe] viewed his Island base as a business handicap" and "He seemed perplexed by the question at first, finally saying the opposite was indeed true" (Walker, 2013, para. 15). With reference to challenges that exist on the island, John Rowe states "Innovation and Research and Development is the most

important challenge facing Atlantic Canadians today” (ACOA Canada, 2013). Indeed, since Island Abbey Foods Ltd. made its business releasing never-before-known products, these were all innovative products. Dehydrated pure honey, pure honey throat lozenges, dehydrated agave, and all natural honey-based vitamins and supplement gummies were all the first of such products in the world (“Island Abbey Foods announces new innovation,” 2014, p. B6; “Island Abbey Foods® launches world’s first all natural honey gummies under its honibe® brand,” 2015, para. 1).

Related to the issue of opportunities and challenges in doing business on the island, it is necessary to discuss the importing of raw materials. As a company, Island Abbey Foods Ltd. has expanded and the number of employees has increased as the production scaled up. When Island Abbey Foods Ltd. started manufacturing, production ranged from 1,000 to 2,000 pieces of honey product per a day; but around 2012, the production jumped up to 100,000 per day (Casey, 2012, para. 7). Along with increasing production, as I discussed in an earlier section, the number of retail shops selling the products also expanded. A problem then arose due to the insufficient amount of honey on the island for such a huge demand of honey. In the early years, Island Abbey Foods Ltd. products were honibe® Honey Drop™, honibe® honey delights™, and honibe® honey liquid (honey within a tube), and these products were all made with P.E.I. honey (Mackay, 2010, p. B7). The demand for honey from Island Abbey Foods Ltd. has contributed to

P.E.I. apiarists and the local honey industry: one of P.E.I. newspapers, *The Journal-Pioneer* quotes remarks of a past Vice President of the P.E.I. Beekeepers Association, as well as a leading P.E.I. bee-keeper, “having a successful honey processor in the province is good for the honey industry” (Thibodeau, 2010b, p. A5). However, as I discussed at the beginning of this section, P.E.I. has the second lowest total honey production of any province in Canada (Government of Canada, 2016e, p. 5) and local honey producers could not supply the large amounts needed to satisfy the demands of Island Abbey Foods Ltd. A natural bottleneck had been reached. As a result, Island Abbey Foods Ltd. announced a partnership with Quebec honey and maple producer, Citadelle (“Island Abbey Foods announces partnership with Quebec honey producer Citadelle,” 2013, p. B5). John Rowe states, “We buy as much honey locally as we can, but the PEI crop is very small as a percentage of the Canadian crop. [So] we buy [grade A honey] from across Canada” (“A PEI home grown story,” 2016, para. 2; “Sweet products keep coming,” 2015, p. B5; Pitts, 2012, para. 28). Scarcity of raw material is one of challenges for the company; however, this should also to be considered in conjunction with the related challenge of transportation.

This issue involves crossing Confederation Bridge to and from P.E.I. or flying in/out of Charlottetown airport. Both importing raw materials and exporting final products require Island Abbey Foods Ltd. to pay shipping costs; they bring in raw liquid honey, which contains “about

20% water” (Mackay, 2010, p. B7) and they export from the island. Honibe[®] products, the latter benefiting from having their weight and space decreased by 80% because of the dehydration process. The weight per package of the finished product, including dehydrated honey, is about 35 to 60 grammes each, and it is this relatively light commodity which Island Abbey Foods Ltd. ships to Canadian retail shops and into the world. Even though bulky raw material is imported, when the raw materials are reduced into a small light commodity such as is the case for Island Abbey Foods Ltd., it works as an advantage for the companies in question.

4.8 Conclusion

The departure point for shipping honibe[®] products, which are manufactured by Island Abbey Foods Ltd., is now located in the BioCommons Park, Charlottetown. The company moved into this location in 2012 due to increasing production and expansion of the company. The new Island Abbey Foods company building is equipped with a warehouse, in-house laboratory, a research facility, and an office spread over 13,500 square feet. (Stewart, 2013, p. E8; “Island-based natural health producer announces grand opening in capital,” 2012, p. A5).

In summary, everything started when John Rowe found shattered honey in his backpack and realized that no one had yet created a pure solid honey cube. He discovered a niche product

through his own negative personal experience. Creating a product based on a unique technology, which no other company has, was not easy. For Island Abbey Foods Ltd. to produce refined solid honey, the cooperation of outside sources and support institutions on the island was necessary. The existence of supportive organizations for food and bioprocessing sectors is one of the characteristics on the island, and is a peculiar advantage of P.E.I.

In addition, the fairly reachable political elites on the island, the close-knit relations among the islanders, the location of P.E.I., and the subsidies available from the government have all created opportunities and advantages for John Rowe and Island Abbey Foods Ltd.

As well, the company's unique technology for changing liquid into solid cubes has inexhaustible potential. Honibe[®] products also have the advantage of lightweight and portability features, characteristics which make for easy transporting off the island, and from there to Canadian and global customers via distribution networks and/or co-partner companies.

5. Discussion

The entrepreneurs of both Fellow Earthlings and Island Abbey Foods Ltd. came back to P.E.I. to start their new businesses. Both companies started their businesses from their basements using their own funds, eventually moving up and out to new facilities. Fellow Earthlings and Island Abbey Foods Ltd. were both started as family enterprises which are common for small business start-ups. From the launch of their business to the moment of writing this thesis in 2016, almost two years have passed for Fellow Earthlings and over 10 years have elapsed for Island Abbey Foods Ltd. Fellow Earthlings' entrepreneurs found their niche market first hand in foreign countries and worked towards this niche market, creating handmade and made-to-order sunglasses as niche products. Island Abbey Foods Ltd.'s entrepreneurs conceived the idea for a niche product, making dehydrated honey, for which special technologies were necessary, and when the innovative products were materialized, the company had both niche products and a unique technology. The following section discusses the two companies' similarities in niche products, niche markets, off-island orientation, and the opportunities of doing business on P.E.I., extracting which factors are most effective in this task and exploring which factors can be adapted advantageously to work on other, similar small islands.

1. Niche Product

Fellow Earthlings has produced niche products in the form of original and stylish sunglasses. Customers can choose their own sunglasses from over 2,000 combinations of sunglass shapes, lenses, and frames on their website. Island Abbey Foods Ltd.'s original products are honibe[®] honey delights[™] and honibe[®] Honey Drop[™], the first pure dehydrated honey in the world. Another product, honibe[®] honey lozenges[™] is different from existing cough lozenges in that they contain no sugar and are pure honey throat lozenges. The two companies' products have niche product features, the primary value lying in differentiation, in being special, unique, original, and distinct.

2. Lightweight Commodities

Both companies' products also have lightweight and portable advantages. Having products weighing less than 50 grammes (honibe[®] honey lozenges[™]) or an almost equivalent weight of 50 grammes (honibe[®] Honey Drop[™] and honibe[®] honey delights[™]) is highly advantageous when products are being transported off the island. Fellow Earthlings sunglasses and eyewear are also lightweight: a reason Italian and Japanese eyewear companies, like Belluno in Italy and Sabae in Japan (Yoon & Kato, 2008, pp. 3-9), have flourished in remote locations

away from large cities. Lightweight commodities minimize high transportation costs when such products are transported off islands to mainland markets and consumers. For both Fellow Earthlings and Island Abbey Foods Ltd., the portability of their commodities has distinctive virtues, evidenced by the world's first solid and portable honey, honibe[®], which is possible to carry anywhere. However, from a viewpoint of economic challenges, portability itself does not minimize the challenges, but, rather more specifically it is the lightweight and small, compact-sized features of products which strongly contribute to an advantage when shipping to the world. A commodity's lightweight is effectively minimizes transportation costs.

3. Off-Island

The entrepreneurs of both Fellow Earthlings and Island Abbey Foods Ltd., considered their products going off-island from the beginning of establishing their companies. In the case of Fellow Earthlings, the entrepreneurs noticed “the smallness of the market on the island for their unique, high end sunglasses” from the early stages of establishing their company. As Baldacchino and Bonnici point out in *Real Stories of Small Business Success* (2005), this is likewise with European firms on small islands, who compensate for small island markets, by adopting off-island as an axiomatic strategy.

Two noteworthy business issues are holding at least two currency settlements and cultivating partnership relations. To deal with one of the economic challenges, the fluctuation of currency, Fellow Earthlings pays for raw materials imported from foreign countries in U.S. dollars, as well as conducts design work for fashion shows in U.S. dollars, in addition to Canadian dollar settlements for internet business. Being equipped to handle two currency settlements provides an effective preparation for exchange rate fluctuation.

To compensate for the difficulty small companies encounter when exporting, Island Abbey Foods Ltd. found ways to utilize co-partnership with foreign pharmaceutical companies and with honey manufacturing and retail companies. Partnerships with foreign countries or with other areas in Canada are effective in increasing the number of areas for a niche product's niche market. As Punnett and Morrison claim, niche products "appeal to a limited number of purchasers" (Punnett & Morrison, 2006, pp. 344-345; see Chapter 2) and niche market means a narrow and therefore limited market (also Chapter 2). To compensate for these limitations of markets, it is necessary to increase the number of countries and areas for niche products. Co-partnerships for Island Abbey Foods Ltd. and partnership with a Vancouver-based fashion company for Fellow Earthlings exemplify how they are able to enlarge the number of niche markets by adding several other narrow markets to their customer pools.

4. Niche Market

Chris and Sydney Seggie in Fellow Earthlings found a niche market first-hand through their on-the-spot experiences in Hong Kong and London, England. They discovered where niche markets existed in the eyewear industry via their own work experiences. After they established their company, their strategy was to avoid highly competitive areas in the eyewear industry, where large eyewear companies are already well positioned, and to focus only on niche markets.

When John Rowe shattered honey in his backpack, this accident may have been the catalyst for him to envision a solid portable honey for hiking or mountain-climbing. In addition to being an outdoor trip convenience, honibe[®] products' other potential customers would be the health conscious and/or those who cannot or do not want to consume sugar. This is the reason Island Abbey Foods Ltd. chose 'Tree of Life'—natural food distributor—as one of their partners, just one year after their products went on sale in 2009.

Co-partnerships with huge pharmaceutical companies and/or honey companies around the world are a useful strategy to moderate risks when entering foreign markets and to achieve penetration of Island Abbey Foods Ltd.'s product names. However, while I admit these merits

of co-partnership, this strategy cannot overcome the cultural differences between Canada or North America and other areas. I offer two examples of this issue. When I was in south Europe, after a long winter, local Romanian apiarists came to cities selling a variety of flavoured honey in a selection of sizes, from small bottles to large ones, to a small portion of a beehive in plastic packages, and propolis bottles on every fourth to fifth block on the street. People associated the start of spring with the venders of honey on the streets and the selling of honey was related to the end of winter. After buying honey, people drink hot milk with honey to calm down and sleep well at night. In southern Europe, then, the arrival of apiarists in the cities and the night-time drinking of honey is related to a living part of the culture.

Another culture-related issue is the content of throat lozenges in several countries. One of the co-partnership companies for Island Abbey Foods Ltd. is Sato Pharmaceutical which is a famous and long-established Japanese company. Several throat lozenge companies with long traditions have existed in Japan, selling cinnamon, ginger, and *yuzu* (citrus junos) tastes as well as honey taste lozenges. While honey taste is included as an ingredient in many of these lozenges, traditional tastes of cinnamon, ginger, and *yuzu* are still popular. The traditional throat lozenge tastes may be different depending on the country, and using a co-partner distribution network cannot immediately overcome these difficulties when releasing new products to fit with the needs

in different cultures.

I would suggest potential markets for solid honey products which may surpass cultural differences. Coast Guards around the world and Doctors without Borders could be included as potential markets because the solid honey cube can be marketed as an energy source. Also, enlarging distribution to outlets of organic shops would be another option. Because of the portability of its products, the market of honibe® is able to expand ‘without borders.’

5. Off-island Experience

Both companies’ entrepreneurs had the advantage of travelling and working abroad, where they accumulated business expertise and contacts in Canada and internationally. Fellow Earthlings’ entrepreneurs acquired marketing knowledge and connections with human resources in the global eyewear industry. Island Abbey Foods Ltd.’s entrepreneur gained experiences in Canada and in the U.S.A. Although this experience was in the Information Technology (IT) sector rather than the food business, this knowledge could still be considered a necessity in today’s marketplace. This may explain why Island Abbey Foods Ltd. has made such effective use of its homepage and social media. As another example of the importance of this tacit knowledge, as soon as John Rowe produced the dehydrated honey, he took out patents to protect

his new-found discovery. This emphasis on the protection of intellectual property may have learned during his experiences in the American IT industry. In summary, the off-island experiences of both companies' entrepreneurs appear to have contributed to the success of their businesses on the island.

6. Handmade and Made-to-Order

In the case of Fellow Earthlings, handmade made-to-order sunglasses offer powerful strategic utilities. Business on small islands is relatively difficult when considering that mass-production and economies of scale do not work well. To overcome diseconomies of scale, the opposite strategy, handmade and made-to-order, might be effective. With Fellow Earthlings' sunglasses, the customer who cannot find suitable sunglasses in existing establishments or outlets can enjoy the benefits of having the optimum made-to-fit sunglasses. Furthermore, after purchasing sunglasses via the internet, if a customer's sunglasses are too tight or too loose, this is easy to fix for Fellow Earthlings because the seller is also the manufacturer and customers deal directly with the maker.

7. Unique Technology

The strength of Island Abbey Foods Ltd. lies in having proprietary rights to a unique technology. Their technology for dehydrating honey and, later, dehydrating agave and maple syrup, is protected by patents, which means no imitators or no copiers can legally manufacture these products. Creating products which have special technologies usually needs a fairly substantial budget for Research and Development (R&D). From the view point of adaptability to other islands, however, suggesting that all small island business persons have a unique technology may be too demanding and less adaptable.

8. Supportive Organization

Dehydrated honey was accomplished via the co-operation of Island Abbey Foods Ltd. with supportive organizations on P.E.I. A noteworthy advantage and opportunity for doing business on P.E.I. for entrepreneurs who engaged in food and bioscience lies in the nature of the existing organizations which support entrepreneurs with innovative ideas for products. Companies which have enjoyed opportunities from supportive organizations also include distilleries who have benefited from technological support and having opportunities to participate in product-related workshops (see Chapter 2). Another example, announced recently, is Prince Edward Island Preserve Company which worked with BIO|FOOD|TECH to release

no-sugar-added jams this summer (“PEI Preserve Co.: No sugar added preserves,” 2016, p. 2).

9. The Internet

Twenty eight years have passed since Fairbairn published *Island Entrepreneurs: Problems and Performances in the Pacific* (1988). When this book went to print, the influence of the internet was minimal. At the present time, internet business is widespread and many companies use websites, homepages and social media. Baldacchino and Pleijel point out how “A broadband connection to the world-wide-web could also encourage new residents and new entrepreneurs whose work is not dependent on being physically in a specific place” (Baldacchino & Pleijel, 2010, p. 106). Diffusing the internet has made people’s lives and entrepreneurs’ business activities easier to access from other countries, even if the business is located in remote or peripheral islands. Indeed, “e-commerce...[is] rendering distance, and therefore location, less important” (Read, 2004, p. 372). Island Abbey Foods Ltd. and Fellow Earthlings are using social media, such as Twitter and Instagram, and Fellow Earthlings frequently updates its social media pictures with landscape of P.E.I. and island life, including where these products are made, who creates the sunglasses, and what new products are available. Simultaneously, social media can allow a two-way exchange of information: potential customers are able to comment or

ask about the availability of certain products.

10. Place Attachment

Both companies have linked their products with an island-based place association. For example, on the back of package of honibe[®] honey lozenges[™], there is an Island Abbey Foods Ltd.'s company logo, which embodies P.E.I.'s representative red roads, light lime and moss green colours, and blue sky. Through social media, Fellow Earthlings has linked their products with pictures of stereotypical P.E.I. landscapes and their family story. These pictures are of the “story” and process of making handmade sunglasses inside their workshop and underscores the difference between their products and the mass-production of lower-priced sunglasses. Outside the workshop, they show images of the island landscape for viewers to enjoy, and in so doing the pictorial account of their island life attaches “premium value” (Suryanata, 2000, p. 184) to their products.

11. Quality-of-Life on P.E.I.

The entrepreneurs of Fellow Earthlings seem satisfied and enjoy a high quality-of-life on the island. Shumaker and Taylor claim that how “a particular place satisfies the needs and goals

of an individual determines his or her judgment of its quality” (Shumaker & Taylor, 1983, p. 225). Stalker and Burnett also point out how island life provides “beautiful landscapes, slower pace of life, know your neighbour, [and a] good place to raise children” (Stalker & Burnett, 2016, p. 193). All these characteristics exist on P.E.I. Collins quotes her interviewees’ “time and again” stating that P.E.I. is “a family place” (Collins, 2011, p. 49). Indeed, some immigrants state that this island is a good place to raise children (Baldacchino et al., 2006, p. 32, p. 35).

Summary

Fellow Earthlings focuses on niche markets, and has produced unique, stylish niche sunglasses which are handmade, made-to-order products. In the case of Fellow Earthlings, they have succeeded in finding and creating niche markets, niche products, and made-to-order strategies. With Island Abbey Foods Ltd., the entrepreneur first had an idea for a niche product and to create this product, unique technologies were necessary. In the case of Island Abbey Foods Ltd. therefore, they have succeeded in finding niche products, unique technologies, and niche markets.

A peculiarity on P.E.I., which I discovered through conducting these two case studies, is the existence of support organizations and institutions which offer R&D facilities for P.E.I.

entrepreneurs who have ideas for food products or bioprocessing. The next chapter concludes with how the two case studies can suggest strategies for maximizing opportunities and minimizing economic challenges on small islands.

6. Conclusion

This thesis targets export-oriented, locally-owned, small-scale manufacturing companies on P.E.I. The economic challenges which I point out in Chapter 2 are the small scale island market, the diseconomies of scale, the monopolistic or oligopolistic structure of industries and organizations, and transportation from an island.

The entrepreneurs of Fellow Earthlings and Island Abbey Foods Ltd. aimed at global markets from the beginning of establishing their companies. Fellow Earthlings entrepreneurs noticed the smallness of the market size on the island for their unique high-end sunglasses. Nurse also found this to be true in his case studies of Caribbean island entrepreneurs who must “transcend the limitations of small market size” to survive by exporting products to diasporic markets in foreign countries (Nurse, 2015, p. 62). The P.E.I. entrepreneurs in this thesis’s case studies do not aim specifically for diasporic markets abroad, but they also transcend the limitations of the small market on the island through exporting.

Absence of economies of scale is unavoidable for most island businesses. Many of the products which are manufactured on the island are difficult to mass-produce and have a tendency

to be relatively high priced. To compensate for diseconomies of scale, they opt to choose handmade, made-to-order products as a solution. Another solution is creating niche products which have unique, special, and/or original characteristics. However, a niche product's markets are narrow, and a company needs to find ways to increase the number of areas for a niche product's market via co-partnership and utilizing the internet and social media.

Concerning the industries which are monopolies or oligopolies, I could not find specific evidence of disadvantages for doing business on P.E.I. through case studies, except for the slower internet speed. Currently, the internet is an essential business tool and internet speed is crucial. If a company is located in West Royalty Business Park, the site has connections with fibre optics ("West Royalty Business Park," 2014, para. 3). However, there exist a number of entrepreneurs who prefer rural P.E.I. landscapes and have established their companies in a local area on P.E.I. internet speeds here are still not very attractive to business. Wherever a company may be located on the island, it will need viable high speed internet.

One of the strategies to minimize transportation costs from the island is to produce or refine lightweight compact-sized commodities. Even if liquid and bulky raw materials are imported to the island, reducing their weight or dehydrating the products, and then shipping them off-island is an effective solution.

Existing opportunities for doing business on P.E.I. are being adjacent to the larger northeastern U.S. market, a reduction of tariff and duties from/to the U.S.A. and Mexico, the existing support organizations, cohesive relationships among the islanders, and high quality-of-life.

The entrepreneurs of Fellow Earthlings and Island Abbey Foods Ltd. maximized the opportunities of their proximity to North American markets and of NAFTA by shipping their products off-island. In addition, especially in the case of Island Abbey Foods Ltd., the contribution of existing support organizations was highly advantageous in doing business on the island. Fellow Earthlings' entrepreneurs are surrounded by islanders and enjoy a higher quality-of-life than they experienced in other places where they stayed before. Indeed, at least in these two case studies, company entrepreneurs did not feel strongly impacted by challenges or disadvantages.

For both companies, the entrepreneurs managed to minimize economic challenges and maximize opportunities of doing business on the island. The combination, which they found, of niche market, niche products and light commodities, a solution for successive small sized island entrepreneurs. This thesis discusses only two companies with lightweight, compact-sized commodities, but should products be bulky and heavy, the situation would inevitably be different.

In addition, if entrepreneurs are immigrants, they may find it hard to tap into and utilize the cohesive relationship among the islanders.

From a view point of island studies in general, conditions may be different for P.E.I. which is a peripheral island, than they are for many other, more or less remote islands. Besides, if the island is related to developing countries or territories, utilizing supporting organizations or R&D support may be more demanding. A comparison and accumulation of case studies on islands is necessary to explore these issues, including how the four factors—niche markets, niche products, made-to-order, and unique technology—can be adapted to other islands, as well as to brand consolidation (Baldacchino, 2010a) and economies of scope (Baldacchino & Bertram, 2009).

Finally, the importance of ‘quality of life’ issues cannot be ignored, and these considerations are also important when considering some of the public policy implications of this thesis. Niche targeted, island based businesses may decide *not* to align their product or service with the island base of their operation. Yes, internet speed and broadband are important, but, for many such businesses, location is not an important consideration as far as their operation is concerned. And yet, the nature of certain aspects of island life—tight and safe communities, accessible government and business support mechanisms—have played a key role in

encouraging, and (so far) maintaining, the commitments of John Rowe and Chris and Sydney

Seggie to building their life and family and, therefore, their business on PEI.

Appendices

Appendix A: Invitation Letters

Appendix B: Briefing Script

Appendix C: Consent Form

Appendix D: Guiding Interview Questions

Appendix E: Closing Script

Appendix F: UPEI Research Ethics Board Approval Letter

Appendix A: Invitation Letter

Date

Name and Address of Company

Dear Mr./Mrs./Ms.

My name is Izumi Nonaka and I am a student in the Master of Arts in Island Studies program at the University of Prince Edward Island in Charlottetown, Prince Edward Island, Canada. The title of my master's thesis is "Niche and Export Strategies for Island Business: Case Studies from Prince Edward Island." My research interest is to explore how entrepreneurs on Prince Edward Island cope with the opportunities and challenges of doing business on a small island. The opportunities the entrepreneurs on PEI face include the large and prosperous U.S. market adjacent to PEI, a working environment characterised by the surrounding sea and picturesque landscape, and a close relationship among islanders which makes it is relatively easy to access any information necessary for support, and the low levels of employee turnover. Nevertheless, entrepreneurs on small islands are also faced with several challenges or "economic vulnerabilities." Economic vulnerabilities include the smallness of domestic markets and the absence of economies of scale, industries or organizations that are monopolies or oligopolies, insufficient skilled labour and business know-how, as well as limited financing. My research intends to identify business opportunities and economic vulnerabilities, to propose solutions, focusing on exports/exporting and niche strategies as exemplified on Prince Edward Island, and discussing how island brands and a sense of place are connected to island products, entrepreneurs, and corporate cultures.

Your participation in this research would provide valuable insights into how island businesses can successfully grow their export sales. The interview would take place in a mutually convenient location. With your permission, I would like to record your responses to the interview questions using audio recording equipment, so that I can later analyse, use, and possibly quote your responses in my Master's thesis research project. During the interview, you are free to decline to answer any question, and you are free to completely withdraw from the interview at any time. After the interview, I will transcribe your remarks and I will send these to you one month after for your review.

Any information you provide will be deleted after I finish my research project and have submitted my thesis. If you have any questions or concerns before, during, or after the interview, please feel free to contact me, Izumi Nonaka, e-mail address inonaka@upei.ca, telephone number (902) 626-5831 or my faculty supervisor, Dr. Godfrey Baldacchino, e-mail address gbaldacchino@upei.ca, at any time.

It would be a great pleasure if you agree to be interviewed. I will follow up this letter with an e-mail and/or phone call and, should you accept, I will send you a copy of the questionnaire in advance.

Sincerely yours,

Izumi Nonaka
e-mail address inonaka@upei.ca
(902) 626-5831
Master of Arts in Island Studies
University of Prince Edward Island
550 University Ave, Charlottetown, PE C1A 4P3

Faculty Supervisor: Dr. Godfrey Baldacchino
e-mail address gbaldacchino@upei.ca

Appendix B: Briefing Script

My name is Izumi Nonaka and I am a student in the Master of Arts in Island Studies program at the University of Prince Edward Island in Charlottetown, Prince Edward Island, Canada. The title of my master's thesis is "Niche and Export Strategies for Island Business: Case Studies from Prince Edward Island." My research interest is to explore how entrepreneurs on Prince Edward Island cope with the opportunities and challenges of doing business on a small island. The opportunities the entrepreneurs on PEI face include the large and prosperous U.S. market adjacent to PEI, a working environment characterised by the surrounding sea and picturesque landscape, and a close relationship among islanders which makes it is relatively easy to access any information necessary for support, and the low levels of employee turnover. Nevertheless, entrepreneurs on small islands are also faced with several challenges or "economic vulnerabilities." Economic vulnerabilities include the smallness of domestic markets and the absence of economies of scale, industries or organizations that are monopolies or oligopolies, insufficient skilled labour and business know-how, as well as limited financing. My research intends to identify business opportunities and economic vulnerabilities, to propose solutions, focusing on exports/exporting and niche strategies as exemplified on Prince Edward Island, and discussing how island brands and a sense of place are connected to island products, entrepreneurs, and corporate cultures.

Your personal insights are the best way to understand the opportunities and challenges associated with developing a business on an island. Your opinions can help to shed light on entrepreneurship on islands.

I would like to ask you several questions as outlined in the section entitled "Interview Questions" which I have already sent you by e-mail. Before the interview, I will provide you with a copy of the research consent form which includes information about the research being done and your potential role in the project. If you agree, I will ask that you sign a copy of the consent form to confirm that you understand the interview process and that you agree to participate. I will also provide a copy of the consent form for future reference. I would estimate that the minimum time to complete the interview will be about 60 minutes. With your permission, I would like to record the interview using a voice recorder and take written notes

during the interview. You have the right to refuse to answer any questions without having to give a reason for doing so, and are free to stop the interview at any time.

About one month after this interview, I will send you a script of today's interview by mail or, if you prefer, by e-mail, or both. You may correct or omit any part of your response. You will also have an opportunity to review and correct the final transcript. Quotes from your interview will only be included in my thesis with your express permission and you may request that your identity remains anonymous.

If you have any questions or concerns about participating and about how the information you provide is collected or handled, you may contact me, Izumi Nonaka (researcher) at (e-mail address inonaka@upei.ca) or my supervisor, Dr. Godfrey Baldacchino, (e-mail address gbaldacchino@upei.ca). You can also contact the University of Prince Edward Island Research Ethics Board at (902) 602-5104 or by email at reb@upei.ca if you have any questions or concerns about the ethical conduct of this study.

Thank you very much for considering participating in this research.

Izumi Nonaka
Master of Arts in Island Studies
University of Prince Edward Island

Appendix C-1: Consent Form Not Anonymous

Master's Thesis Research: "Niche and Export Strategies for Island Business: Case Studies from Prince Edward Island" conducted by a researcher, Izumi Nonaka, under the supervision of Dr. Godfrey Baldacchino. Contacts are at Izumi Nonaka (e-mail address inonaka@upei.ca), (Telephone number (902)626-5831) or Godfrey Baldacchino (gbaldacchino@upei.ca).

The purpose of this study is to explore how entrepreneurs on Prince Edward Island cope with the opportunities and particular challenges, or economic vulnerabilities, related to the island. This research intends to identify and propose solutions for these challenges, focusing on export and niche strategies as exemplified on Prince Edward Island, as well as discussing how island brands and a sense of place are connected to island products, entrepreneurs, and corporate cultures.

Please read the following carefully. Your signature indicates that you have read and understood the information provided to you in the research information letter and that all questions have been addressed to your satisfaction by the researcher.

Yes/No (Please check yes or no)

☐ ☐ I understand that my participation in this research is completely voluntary and that my participation consists only of an interview of no more than 60 minutes.

☐ ☐ I consent to having the interview audio recorded.

☐ ☐ I am aware that I may stop the interview and/or recorder at any time.

☐ ☐ I understand that I can refuse to answer any question or questions without having to give a reason for doing so.

☐ ☐ One month after the interview, when the researcher will send the transcript by mail and/or e-mail, I am aware that I will have the opportunity to review the transcript of my interview in order to check, omit or correct any part of today's interview.

☐ ☐ I understand that my words may be used for quotations only with my express permission.

☐ ☐ I am aware that I can contact the University of Prince Edward Island Research Ethics Board at (902) 620-5104 or by email at reb@upei.ca if I have any questions or concerns about the ethical conduct of this study.

☐ ☐ I know that I am entitled to a copy of this consent form.

_____	_____	_____
Name of Participant	Signature	Date

_____	_____	_____
Izumi Nonaka	Signature	Date
Master's Student, Island Studies		
University of Prince Edward Island		

Appendix C-2: Consent Form Anonymous

Master's Thesis Research: "Niche and Export Strategies for Island Business: Case Studies from Prince Edward Island" conducted by a researcher, Izumi Nonaka, under the supervision of Dr. Godfrey Baldacchino. Contacts are at Izumi Nonaka e-mail address inonaka@upei.ca, telephone number (902) 626-5831 or Godfrey Baldacchino, e-mail address gbaldacchino@upei.ca.

The purpose of this study is to explore how entrepreneurs on Prince Edward Island cope with the opportunities and particular challenges, or economic vulnerabilities, related to the island. This research intends to identify and propose solutions for these challenges, focusing on export and niche strategies as exemplified on Prince Edward Island, as well as discussing how island brands and a sense of place are connected to island products, entrepreneurs, and corporate cultures.

Please read the following carefully. Your signature indicates that you have read and understood the information provided to you in the research information letter and that all questions have been addressed to your satisfaction by the researcher.

Yes/No (Please check yes or no)

☐ ☐ I understand that my participation in this research is completely voluntary and that my participation consists only of an interview of no more than 60 minutes.

☐ ☐ I consent to having the interview audio recorded.

☐ ☐ I am aware that I may stop the interview and/or recorder at any time.

☐ ☐ I understand that I can refuse to answer any question or questions without having to give a reason for doing so.

☐ ☐ One month after the interview, when the researcher will send the transcript by mail and/or e-mail, I am aware that I will have the opportunity to review the transcript of my interview

in order to check, omit or correct any part of today's interview.

☐ ☐ I understand that my words may be used for quotations only with my express permission.

☐ ☐ I understand that my words may be used for quotations only with my express consent, and that my name will be anonymous, such as "Interviewee A."

☐ ☐ I am aware that I can contact the University of Prince Edward Island Research Ethics Board at (902) 620-5104 or by email at reb@upei.ca if I have any questions or concerns about the ethical conduct of this study.

☐ ☐ I know that I am entitled to a copy of this consent form.

Name of Participant

Signature

Date

Izumi Nonaka
Master's Student, Island Studies
University of Prince Edward Island

Signature

Date

Appendix D: Guiding Interview Questions

Export

1. Was exporting to foreign countries considered from the beginning in establishing your company?
2. How many years have you been exporting your products to foreign countries?
3. What triggered the drive to export?
 - 1) Saturation of the home market (PEI)
 - 2) Response to entry of foreign competitors into the home market
 - 3) Diversification of business
 - 4) Encouragement by public-sector support agency
 - 5) Awareness of small home market size
 - 6) Completion of mass-production system
 - 7) To spread the company name and products
 - 8) Other
4. What percentage of your company's total sales come from the following market? If you prefer not to state the percentage, you may instead rank the options.
 - 1) Prince Edward Island
 - 2) The rest of Canada
 - 3) The United States
 - 4) Other international markets

5. What countries does your company currently export to?
6. What was the percentage of turnover among your exports?
7. Has the PEI brand (e.g., Gentle Island, culture and flavour) been effective in helping to export your products?
8. What were the main limiting factors/obstacles that your company had to overcome in its drive to export?

- 1) Tariff
- 2) Exchange rate of foreign currency
- 3) Transportation costs from PEI to the destination
- 4) Lack of information about the foreign market
- 5) Foreign government restrictions
- 6) Other

9. After your company exported successfully outside of PEI, did you have to import extra raw materials?

Niche Strategies: niche products & niche market

10. After your company created the niche products, how did you cope with global competition?

Sense of Place

11. Do you feel that being physically located on an island is a competitive advantage or disadvantages?
 - a. What are the benefits of doing business on PEI?
 - b. What are the biggest obstacles or challenges of doing business on PEI?

Appendix E: Closing Script

Thank you very much for taking the time to participate in this research. In about one month's time, I will send you today's transcript through mail, e-mail or, if you like, both. If you find remarks which you would like to delete or correct, please contact me.

After the completion of my program, I will send you an e-mail to ask if you would like me to send you a printed copy of the thesis or the link to the online copy of the thesis on the University of Prince Edward Island database.

If you have any questions or concerns about this interview and study, please contact me at any time: Izumi Nonaka, inonaka@upei.ca, or my thesis supervisor, Dr. Godfrey Baldacchino, gbaldacchino@upei.ca.

Thank you very much for your cooperation.

Izumi Nonaka

e-mail address inonaka@upei.ca

Appendix F: UPEI Research Ethics Board Approval Letter



550 University Avenue
Charlottetown
Prince Edward Island
Canada C1A 4P3

To: Izumi Nonaka
Island Studies

Protocol Number: REB Ref # 6006426

Title: Niche and Export Strategies for Island Business: The case study of Prince Edward Island

Date Approved: October 9 2015
End Date: October 8 2016

The above mentioned research proposal has been reviewed and approved by the UPEI Research Ethics Board. Please be advised that the Research Ethics Board currently operates according to the Tri-Council Policy Statement 2: Ethical Conduct for Research Involving Humans (2014) and applicable laws and regulations.

It is your responsibility to ensure that the Ethics Renewal form is forwarded to Research Services prior to the renewal date. The information provided in this form must be current to the time of submission and submitted to Research Services not less than 30 days prior to the anniversary of your approval date. The Ethics Renewal form can be downloaded from the Research Services website (<http://www.upei.ca/research/forms>).

Any proposed changes to the study must also be submitted on the same form to the UPEI Research Ethics Board for approval.

The Research Ethics Board advises that IF YOU DO NOT return the completed Ethics Renewal form prior to the date of renewal:

- Your ethics approval will lapse
- You will be required to stop research activity immediately
- You will not be permitted to restart the study until you reapply for and receive approval to undertake the study again.

Lapse in ethics approval may result in interruption or termination of funding.

Notwithstanding the approval of the REB, the primary responsibility for the ethical conduct of the investigation remains with you.

Sincerely,

James E. Moran, Ph.D.
Chair, UPEI Research Ethics Board

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